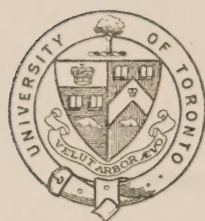




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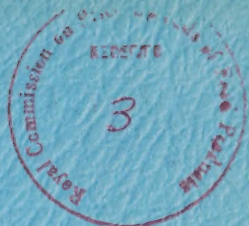
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ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT
FREDERICTON

N. B.

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TORONTO, ONTARIO

- 1578 -

ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m. Monday, April 28th, 1958 at Fredericton, N.E.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary A.A. Caron



APPEARANCES

Page

National Council of the Baking Industry 1581
Mr. G. G. Anglin
Mr. Arthur May

New Brunswick Federation of Agriculture 1688
Mr. Lloyd Sloat
Mr. Gus. A. Schousboe
Mr. Archie Strong
Mr. Allan Lockhart

EXHIBITS

35 Submission of the National Council
of the Baking Industry 1591

36 Submission of the New Brunswick
Federation of Agriculture 1688



THE CHAIRMAN: We will open the hearings of the Royal Commission on Price Spreads of Food Products in the Atlantic provinces. I think I shall read again into the record the particular Terms of Reference of the Commission. The Commission has been appointed to:

(a) Inquire into the extent and the causes of the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by consumers therefor;

(b) determine whether or not such price spreads in general or in particular cases are fair and reasonable, or are excessive, in relation to the services rendered;

(c) make such recommendations as they deem appropriate if any such price spreads are found to be excessive; and

(d) examine the adequacy of price information currently available.

The general procedures which the Commission has been following have been set out earlier in the record, and if there are any questions with regard to them, these may be addressed to the Secretary, Mr. Dawson.

The first brief this morning is on behalf



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of The National Council of the Paking Industry.
We have Mr. Anglin, the Chairman and Mr. Arthur
May, the managing director.

Mr. Anglin, we are glad to be in your home
grounds and receive the brief of the Paking Industry
while we are here. We appreciate the submission
which is coming forward from your organization. I
am not sure whether you or Mr. May will read the
brief.



SUBMISSION OF
NATIONAL COUNCIL OF THE BAKING INDUSTRY

Appearances:

Mr. G.G. Anglin	-	Chairman
Mr. Arthur May	-	Managing Director

MR. ANGLIN: Mr. Chairman, Mrs. Walton and gentlemen; as you say, sir, it is a pleasure to have the Commission in God's country, and as you say also at home.

Being as I am, President of the Eastern Bakeries, I also have a greater honour, and that is to be President of our National Council of the Baking Industry, and of its membership which goes from St. John's, Newfoundland to Victoria, B.C.

We have had three or four of our directorate meetings and the brief has been prepared with diligent and hard work by our managing director, Mr. May, who is with me. It is factual, and I hope it will be of help. It covers the problems and difficulties of the industry from one coast to the other coast. Supermounted, of course, on top of that are our own little worries, and are own domestic affairs, such as the argument over the 20 or 24-ounce loaf of bread in the city of St. John's at the moment, but those are all trifling. Otherwise we have managed.



It is a pleasure to have you call out here. I appreciate it very much, because I wanted so much to be here when the brief was presented because I see copies of mostly everything from our committees. I know the work that has gone into the preparation of this. We wanted to have something that would really tell the story for our industry, and we think it will be of help in answering future questions.

Mr. May has a statement to read first, and then the program and I would prefer that our managing director handle that end.

THE CHAIRMAN: We will be glad to have you read the statement and brief into the record. Then, Mr. Anglin, our procedure has been that we will perhaps address a few questions to either or both of you.

MR. ANGLIN: Fine.

MR. MAY: Do I have to stand, Mr. Chairman, to read?

THE CHAIRMAN: It is not necessary if you are happier sitting.

MR. MAY: Our purpose in appearing at this hearing of this Royal Commission is to place on the record for your consideration a brief which is intended to review objectively price spreads and cost trends within the Canadian Baking Industry over a period of years. We have tried to include in our brief a maximum of statistical and other data with a



minimum of interpretation.

There are one or two aspects of this general subject of price spreads and the purpose of this Commission which we would like to bring to your attention, and ask your indulgence to be allowed to do this in this introductory statement.

1. Within our society, under our wage price economic system, the great majority of people earn their livelihood from (or are dependent upon) their individual contribution to the complex chain of production, processing and distribution of goods and services which all of us need or use.

To the extent that these services occur - as do the vast majority of them - between the production of a basic material and a consumer product - the costs of them become automatically part of the price spread.

There probably are a few remaining nomadic Eskimo family or tribal units left in Canada who have not yet succumbed to the lure of the white man's wage and price system and the mail order catalogue, and who are able to provide all their primitive needs from hunting, fishing, and from the land which they roam, but these are now so rare as to be unique, if indeed they still exist.



Whenever and wherever a product of any kind is not produced completely from basic raw material to finished product by a person for his own use or consumption price spreads are present, and rightfully so.

2. As our standards of living move farther away from the bare necessities of life, the price spread must necessarily continue to widen, and it is only through this further refinement of the division of labour that our civilization, in a material sense, does progress. We believe it is almost axiomatic that the more advanced a civilization becomes the greater will be the price spread. ? 222

These, of course, are included in the a, b, c's of economics, and it would be presumptuous for us to restate them before the distinguished members of this Royal Commission, were it not for the fact that they are too often disregarded in references by many people and groups to the subject of price spreads.

A great deal of the comment that is heard and read with regard to price spread seems to contain at least the suggestion that there is something wrong with price spreads, and that somehow or other their very existence is an indication that some members of our society are reaching into the pockets of WRONG ?



others and taking from them what they have no right to have and for which they have made no contribution.

There is, of course, nothing wrong or sinister in the existence of price spreads as such. They are inherent to and a necessary part of any economic system that is based on a division of labour and a wage and price structure.

3. Price spreads do not exist, of course, only with regard to food products. They are there with regard to all goods and services.

If it were possible, a person could choose to manufacture his own motor car - which today weighs about two tons and which is chiefly comprised of steel and aluminum - and if he were able to himself perform all the various manufacturing processes entailed, he could produce the car that sells for \$3,000 or \$4,000 today from about \$30 worth of iron ore or bauxite. The difference is, of course, the full extent of the price spread in a motor car.

This price spread is necessary if the great variety of technical, labouring and other skills required to produce the modern motor car are to be paid for as they rightfully should.

MASS PRODUCTION



No one expects to buy a newspaper at a price related only to the \$20 or \$25 a ton that pulpwood brings for the manufacture of newsprint.

*where
best*

The average suit of clothes a man wears contains three and a half pounds of wool, which at current prices is worth perhaps \$1.50; yet suits sell at prices ranging from, say, \$50 to \$150, but they still contain less than \$2 worth of wool.

Our economic system - with its inherent divisions of labour and price spreads - is certainly efficient, if we are to judge by its results. Under it, society has reached its highest level of material well-being - its highest standards of living. And all segments of our economy have shared in the improved living standards, including agriculture and labour, although perhaps not all have shared with precise equality.

4. With regard even to foods, the price spread does not begin when the farmer sells the result of his agricultural labours

where

To use wheat as an example, the price spread does not begin when the farmer sells his wheat. It begins when he buys the seed from which the wheat is grown.



In a very general way, the wheat farmer takes about a bushel and a half of seed wheat for which he pays perhaps \$2 to \$3, and at the end of the season hopes to harvest 20 to 30 bushels of wheat, which will bring him - in general figures again - between \$30 and \$45; and in so doing the difference between what he paid for the seed and what he receives for his harvested wheat becomes, of course, part of the price spread.

He needs this difference in order to be repaid for the labour and machinery which he employs in order to make a living. The price spreads that develop after he sells the wheat to be used to make bread and other consumer products are just as inevitable, necessary and right.

5. We believe it is true that the more complex our way of life becomes, and the more refined the division of labour develops, the variety of the components within the price spread becomes more numerous, and it becomes more difficult to determine if each partner to the society is receiving more or less than his fair and proper share.

Accordingly, we accept it as right and proper that Governments from time to time



should concern themselves about the matter and establish a board of inquiry such as *ARBITRATION?* this Royal Commission is to study the whole question and make whatever recommendations seem appropriate.

6. The Canadian Baking Industry - as represented by the National Council of the Baking Industry - believes it has a responsibility to come forward before this Commission and place before it what we believe to be the facts with regard to price and cost trends within our industry.

*you
should
(no)*

Indeed, some of us believe that if we fail to do this there is a possibility that the recommendations and findings of this Commission might be arrived at without a full consideration of all the facts.

7. The baking industry is an important and most essential partner to our economy. It is equally important to the farmer - whose products it uses as raw materials - and to the consumer - who requires and uses the bread and other bakery products which the industry manufactures.

The fact that it performs these services within the price spread does not in any way lessen its essentiality or the usefulness of the services which it provides.





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- 1589 -
Mr. May

In Canada today some 36,000 employees depend upon the baking industry for their livelihood. They are employed by about 2,600 bakery plants, with an investment of over \$250,000,000 - \$100,000,000 of which has been newly invested since 1946.

Both management and workers are mutually engaged in rendering a most important food service for the people of Canada. In every sense of the word the industry is competitive, both as to quality of products and as to price.

In the final analysis, it is the consumer who, by her choice in the marketplace, determines the well-being of the individual baking company. Because this is so, those engaged in the industry are concerned primarily with making the best possible quality of bread and other bakery products and distributing them fresh daily and in variety to the consumer, and as efficiently as possible. This is the only way in which to attract consumer patronage, without which no baker can thrive or stay in business for any length of time.

To this extent, then, the consumer

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Consumer
Choice

High price
to sell



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- 1590 -
Mr. May

Consumer Line

not only regulates the quality of the products and the type of distribution service but in a very real sense she regulates the amount of profit which a baker can earn.

Doesn't know!

Most industries in Canada rendering a consumer service will make the same broad general claims. In this instance - and even if these claims sound trite - speaking for the baking industry we state them with conviction because we believe them to be true.

8. Finally, we sincerely hope the brief herewith presented, on behalf of the National Council of the Baking Industry, will prove to be what we have tried to make it, - an objective review of cost trends and price spreads in the baking industry - and to this extent perhaps a useful contribution to your deliberations.

THE CHAIRMAN: We will be glad if you will read this statement and brief into the record, and then perhaps we will address a few questions to either or both of you.

MR. MAY: Do I have to stand, Mr. Chairman?

THE CHAIRMAN: It is not necessary if you are more comfortable sitting.

The brief along with your opening statement



will be Exhibit No. 35.

EXHIBIT NO. 35: Opening remarks
and brief presented by
The National Council
of the Baking Industry.

This brief, and our appearance before
this Royal Commission on Price Spreads of Food
Products, is on behalf of the National Council of
the Baking Industry.

The National Council of the Baking Industry
is a chartered non-profit organization and is the
recognized national trade association of the Canadian
Baking Industry. It was formed in 1941 with the
object of providing industry liaison with Government
under the emergency of war. It has continued since
the war to promote co-operatively the well-being
of the baking industry in those matters which are
properly the common concern of all bakers and on
which common co-operative action is desirable.

It includes in its membership baking
companies from the various groupings into which
the industry naturally falls - wholesale bakers -
house to house bakers - and retail store bakers -
and these all are represented in our membership
from all parts of Canada.

We believe our member companies produce
probably not less than 80 per cent of all bread and
other bakery products sold in Canada.

1. The first part of the paper is devoted to a general discussion of the problem.

2. The second part is devoted to a detailed study of the case of a single particle.

3. The third part is devoted to a study of the case of a system of particles.

4. The fourth part is devoted to a study of the case of a system of particles.

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1. In keeping with the Terms of Reference of this Royal Commission on Price Spreads of Food Products this brief is an attempt to review price and cost trends in the Canadian Baking Industry in the period from 1935 to 1956 - the last year for which, for the most part, Government statistical data is available.

There are several Government statistical compilations that have to do with the Canadian Baking Industry. Each contributes to a knowledge of the industry and each has some bearing on the subject of this inquiry.

2. Annual Industry reports - Bread and bakery products: The first and perhaps most important as a source of basic data are the annual reports on the bread and bakery products industry in Canada. These go back many years and in this submission are reviewed back to 1935.

It should be noted that the figures are on a total industry basis. They include all reporting companies. Inasmuch as costs and prices vary within the industry, and in various parts of the country, they will not be exactly duplicated by any individual baking company nor even by the industry for a particular region or provincial area. However, they do show industry cost and price trends.

These reports show some changes that are constant enough to be regarded as trends.



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- 1593
Mr. May

The first to be noted is the decrease in bread as a percentage of total sales of all bakery products, with a comparative increase in the remaining bakery products - which include rolls - doughnuts - cakes - sweet goods - pies, etcetera.

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TABLE 1

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CANADIAN BAKING INDUSTRY

SALES OF BREAD - COMPARED WITH ALL
OTHER BAKERY PRODUCTS

(000's omitted)

<u>Year</u>	<u>Total Sales</u>	<u>Bread</u>	<u>% to Total Sales</u>	<u>Other Bakery Products</u>	<u>% to Total Sales</u>
1935	\$ 59,401	\$ 44,303	74.58	\$ 15,098	<u>25.42</u>
1940	81,757	53,086	64.93	28,670	35.07
1945	132,518	73,328	55.34	59,190	44.66
1946	148,363	79,269	53.43	69,094	46.57
1957	165,750	91,748	55.35	74,002	44.65
1948	187,933	110,644	58.87	77,289	41.13
1949	203,720	121,188	59.48	82,532	40.52
1950	214,587	130,618	60.87	83,969	39.13
1951	245,288	149,311	60.87	95,978	39.13
1952	260,181	161,343	62.01	98,838	37.99
1953	277,998	171,547	61.71	106,451	38.29
1954	280,208	172,918	61.71	107,290	38.29
1955	289,019	174,855	60.50	114,164	39.50
1956	306,805	<u>182,224</u>	<u>59.39</u>	124,580	<u>40.61</u>



4. This table and the changes indicated in it have a bearing in considering price spreads. Unfortunately, there are no raw material or labour cost data for bread alone. Industry figures available are for the baking industry as a whole - which include all bakery products. But the selling price percentage of raw materials and of labour is not the same for all products.

The change in the character of sales is a substantial one. In 1935 bread was 74.78 per cent of total sales, but by 1956 bread had declined to 59.39 per cent.

It reflects two factors:

(a) The effort of the industry to broaden the range and variety of its products.

(b) A change in consumer habits away from home baking of these other bakery products to the purchase of those commercially produced.

*Consumer
HABITS*

This change in the character of sales should be kept in mind when other trends are referred to later in this brief.

5. Volume of sales at wholesale and retail respectively: There is a change going on in the pattern of distribution of sales of bread and other bakery products - as between wholesale and retail.

change

TABLE II

CANADIAN BAKING INDUSTRY

DISTRIBUTION OF SALES BY WHOLESALE - RETAIL
HOUSE TO HOUSE - AND RETAIL BAKERY STORES

(000's omitted)

<u>Year</u>	<u>Total Sales</u>	<u>Wholesale incl. to Restaurants, etc.</u>	<u>% of Total</u>	<u>Retail House to House</u>	<u>% of Total</u>	<u>Retail Bakery Store</u>	<u>% of Total</u>
	\$	\$		\$		\$	
1944	126,125	56,614	47.2	39,614	31.4	26,397	21.4
1945	132,049	65,249	47.2	39,061	31.4	27,739	21.4
1946	147,662	72,173	48.9	43,744	29.6	31,746	21.5
1947	165,293	78,836	47.6	50,900	30.8	35,557	21.6
1948	187,175	90,732	48.5	58,668	31.3	37,775	20.2
1949	203,462	106,988	52.6	59,359	29.2	37,116	18.2
1950	214,587	115,573	53.9	61,377	28.6	37,637	17.5
1951	245,288	139,964	57.1	59,835	24.4	45,489	18.5
1952	262,352	147,678	56.3	67,019	25.5	47,654	18.2
1953	281,619	159,906	56.8	70,282	25.0	51,430	18.2
1954	288,888	164,247	56.9	70,197	24.3	54,443	18.8
1955	299,848	169,425	56.5	76,927	25.7	53,495	17.8
1956	318,179	179,000	56.3	79,801	25.1	59,377	18.6



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Mr. May

The trend shown towards a higher percentage of sales at wholesale has a bearing in considering cost and price trends over a comparable period of years.

Price
The sales figures are the selling prices received by bakers. On sales house to house and *Consumer* through retail stores these are the same as the prices which the consumer paid. On wholesale sales, of course, they are less than the consumer price by the amount of mark-up added by the resale merchant.

Wholesale?
This trend towards a higher percentage of sales distribution at wholesale is in a large measure a result of the change that has occurred in super market merchandising, and this should be kept in mind in considering the data that follows.

6. Cost of Materials and of Wages and Salaries: Since 1935 the total cost of all materials - as a per cent of selling prices - have tended to increase.

TABLE III

CANADIAN BAKING INDUSTRY

MATERIALS AND LABOUR COSTS AS A
PERCENTAGE OF SELLING PRICES

Year	Total Sales \$	Cost of Materials \$	% of Selling Price	Cost of Labour \$	% of Selling Price	Comb.Cost of Labour & Materls. as % Sell- ing Price	All Other Costs as % of Selling Price
1935	59,401	28,344	47.72	19,443	27.55	75.27	24.73
1940	81,757	38,560	47.17	23,510	28.75	75.92	24.08
1945	135,518	62,829	47.41	38,238	28.92	76.33	23.67
1946	148,363	70,887	47.78	42,987	28.97	76.75	23.25
1947	165,750	80,084	48.32	47,896	28.99	77.31	22.69
1948	187,933	94,384	50.22	53,407	28.36	78.58	21.42
1949	203,720	102,555	50.34	57,553	28.25	78.59	21.41
1950	214,587	109,213	50.90	60,074	28.00	78.90	21.10
1951	245,288	121,377	49.48	67,116	27.36	76.84	23.16
1952	260,181	122,230	46.98	74,245	28.53	75.51	24.49
1953	277,998	129,225	46.48	80,903	29.10	75.58	24.42
1954	280,208	131,120	46.79	83,805	29.91	76.70	23.30
1955	289,019	133,299	46.12	87,760	30.37	76.49	23.51
1956	306,805	145,926	47.56	93,759	30.56	78.12	21.88



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It should be noted that total sales between 1935 and 1956 have increased approximately five times. Less than half of this increase is accounted for by higher prices. More than half of the increase represents a true volume increase. Increased volume does in a general way tend to keep selling prices at lower levels than they otherwise would be.

7. Trends in the use of some specified materials as a per cent of selling prices: While the selling price per cent cost of all materials used by the baking industry has remained constant, there have been changes with respect to particular materials.

TABLE IV

CANADIAN BAKING INDUSTRY

RAW MATERIALS - AS PERCENTAGES OF SELLING PRICES

	1935	1940	1945	1950	1951	1952	1953	1954	1955	1956
Principal Agricultural Products										
Flour	26.44	22.00	18.27	23.73	22.02	21.58	21.12	20.45	19.76	19.10
Lard - Shortenings - Butter	3.97	4.42	6.19	5.84	6.10	4.63	4.88	4.93	4.89	4.77
Milk and Other Dairy Products	1.57	1.92	2.17	1.90	1.69	1.81	1.32	1.57	1.42	1.86
Egg & Egg Products	1.74	2.12	3.23	2.32	2.41	2.11	2.13	1.87	1.88	2.03
Sugar & Other Sweeteners	2.78	3.92	3.17	3.72	3.90	3.64	3.34	3.22	3.20	3.39
Fruits, Nuts, etc.	2.22	2.58	3.36	2.44	2.37	2.39	2.33	2.38	2.50	2.65
Malt & Malt Products	0.52	0.43	0.84	0.26	0.22	0.22	0.11	0.19	0.13	0.10
Sub Total	39.24	37.39	37.23	40.21	38.71	36.38	35.23	34.61	33.78	33.90
Other Materials										
Yeast & Yeast Products	3.18	2.64	2.64	1.79	1.74	1.83	1.82	1.87	1.95	1.88
Salt	0.22	0.19	0.16	0.16	0.13	0.13	0.12	0.13	0.13	0.14
Extracts & Flavours	0.21	0.48	0.68	0.67	0.61	0.58	0.50	0.67	0.58	0.60
Packaging Materials	3.11	4.60	4.73	6.03	5.86	6.00	6.32	7.06	7.63	7.96
Miscellaneous	1.76	1.87	1.97	2.04	2.43	2.06	2.49	2.45	2.05	3.08
Sub Total	8.48	9.78	10.18	10.69	10.77	10.60	11.25	12.18	12.34	13.66
TOTAL	47.72	47.17	47.41	50.90	49.48	46.98	46.48	46.79	46.12	47.56



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8. The following changes and trends are apparent:-

1. The use of the principal agricultural products has declined by 5.34 selling price per cent points between 1935 and 1956. The decline is reasonably constant throughout the period and is a trend that may continue.

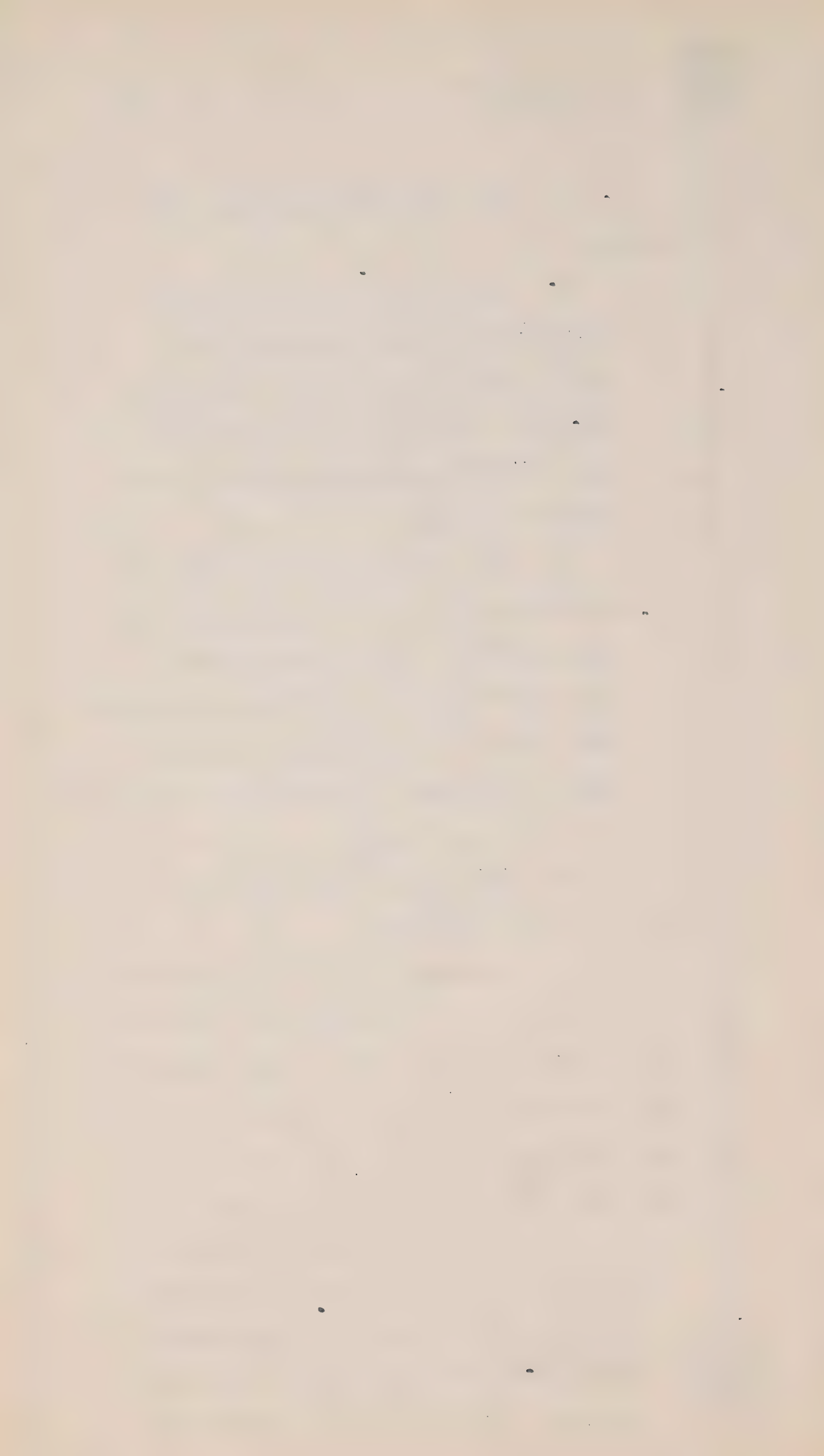
2. The increase in the miscellaneous materials group - of 5.16 selling price per cent points - is also constant over the period and is therefore probably a continuing trend. But it arises chiefly from an increase in packaging costs which have increased by 4.85 per cent points.

9. These material cost trends may warrant the following observations:

Agricultural Materials Other Than Flour:

There is an increased usage - in terms of selling price per cent points - of all agricultural products listed other than for flour. This increased use of shortenings - milk - egg products - sugar and fruits - probably is caused:-

(a) in part by the change in the character of the total sales - less bread and more of other kinds of bakery products - as a per cent of total sales. This would naturally result in the use of less flour





and the use of more of other materials such as shortening, milk and egg products sugar, fruits, etc., as a percent of total selling prices;

(b) in part - with respect at least to milk and sugar - from improved bread formulae over the period in question;

(c) it should be noted that this increase in the sale of bakery products other than bread is properly to be regarded as extra sales. They are not sales of products optional to bread. As extra sales they do, of course, result in more flour (and other ingredients) being used even though their quantity as a per cent of sales may have decreased.

10. Flour: Notwithstanding (a), (b) and (c) preceding, there is evidently a trend for a reduced use of flour - in terms of selling price percent points in bakery products not entirely to be accounted for by the change in the character of total sales and improved or changed bread formulae.



TABLE V

CANADIAN BAKING INDUSTRY

AVERAGE SELLING PRICES - BREAD - FLOUR

With Comparable Indices

1935 = 100

<u>Year</u>	<u>Bread</u>		<u>Flour</u>	
	<u>Per lb.</u>	<u>Index</u>	<u>Per Barrel</u>	<u>Index</u>
1935	4.93 cts	100	\$4.28	100
1940	5.49 "	111	4.45	104
1945	5.63 "	114	4.34	101
1946	5.79 "	117	4.37	102
1947	6.65 "	135	5.41	127
1948	8.09 "	165	7.50	175
1949	8.04 "	165	9.10	213
1950	9.47 "	192	9.10	213
1951	10.53 "	214	9.36	219
1952	10.61 "	215	9.32	218
1953	11.03 "	223	9.40	219
1954	11.35 "	230	9.19	215
1955	11.44 "	232	8.98	210
1956	11.77 "	239	8.74	204



It will be noted that since 1935 the index of bread prices has increased 139 points and for flour the index has increased 104 points. It will also be noted that since 1948 the bread price index is up from 165 to 239 - a total of 74 points - while flour is up from 175 to 204 - a total of 29 points.

All other factors being the same, flour prices would be expected to increase at the same approximate rate as bread prices. That this did not occur can be attributed to two main factors:

1. Stabilized prices for wheat that have continued through the war years and since. This as a result of Government wheat marketing policies under which, generally speaking, the wheat grower has been guaranteed a minimum price, which in turn has been regulated by prices within the terms of the International Wheat Agreements.

In the immediate post-war years this has resulted in prices which - in the light of world wheat supply and demand - were lower than they would have been had free market conditions existed. In later years - in the light of world wheat surpluses - prices to the Canadian wheat grower are probably higher than they would be under free market conditions.



This price stabilizing policy has a natural concomitant effect of stabilizing the cost of flour for bread and other bakery products.

~~The price of wheat by itself does not, of course, determine bread prices.~~

Flour represents only 20 per cent of a baker's costs. When other ingredients go up in price, and as labour and other costs increase, bread prices have to be adjusted accordingly. It is these other costs - which have been constantly increasing since the war and which represent 80 per cent of all costs incurred in the industry - that have been chiefly responsible for rising selling prices.

Nevertheless, changes in the prices of wheat and flour will be reflected in changes in the prices of all bakery products to the extent of the changes that do occur and in the light of all other cost factors.

2. As we have already stated, stabilized wheat prices do not entirely account for the slower rise in flour costs.

Even under stabilized wheat prices flour prices would be expected to increase at least to the extent of the miller's



increased labour and other costs (apart from wheat), which can be assumed to have increased in keeping with the general wage and price increase that has occurred in Canada during the period in question.

However, and in contrast, flour prices have shown a tendency to go down. This condition appears to be unrelated to prices for wheat and arises to some extent from highly competitive conditions within the milling industry for domestic flour volume. The importance of the domestic market to the milling industry has been accentuated as export markets have become increasingly problematical.

It is difficult to measure how much of the slower rise in the flour price index is due to stabilized wheat prices and how much to other factors not directly related to the price spread between consumer and producer. Obviously, the 15 index point flour price decline since 1952 arises entirely from factors other than the price of wheat.

11. Perhaps some reference should be made here as to the probable effects stabilized wheat prices have had on the consumption of bread in Canada.



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Table VI shows how this per capita consumption has been jumping up and down, and certainly not a constant trend since 1925.

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TABLE VI

PER CAPITA CONSUMPTION OF
COMMERCIALLY BAKED BREAD - CANADA

1925	-	81.7 lbs.	1935	-	82.6 lbs.	1945	-	107.0 lbs.	1953	-	105.4 lbs.
1927	-	81.5 lbs.	1937	-	86.6 lbs.	1947	-	110.4 lbs.	1954	-	100.5 lbs.
1929	-	93.3 lbs.	1939	-	88.3 lbs.	1949	-	100.6 lbs.	1955	-	98.1 lbs.
1931	-	90.9 lbs.	1941	-	93.6 lbs.	1951	-	101.3 lbs.	1956	-	96.9 lbs.
1933	-	82.2 lbs.	1943	-	103.5 lbs.	1952	-	105.6 lbs.			



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The baking industry is aware that many agricultural economists believe that there is a long-term trend towards a reduced per capita consumption of cereal products including, of course, bread. This is true of the United States and, to a lesser degree, seems to be true of Canada.

The foregoing table does not include any home baking of bread which may still continue, nor any changing back and forth between home baking and the buying of baker's bread by individual families which may have occurred from time to time.

People in the baking industry are inclined to believe that the theory - that a long term decline in the per capita consumption of bread is inevitable - is open to challenge. *Wastline*

We believe that by maintaining high levels of quality and availability per capita consumption of bread can be well maintained. It was for this reason that the Canadian Baking Industry established the Bakery Foods Foundation as an information and research organization - the chief objective of which is to disseminate accurate information with regard to the nutritional qualities of bread and its important place in our diet - and in so doing assist in the maintenance of per capita consumption of bread at its highest level.

We believe this industry and product



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public relations work has been effective in keeping bread consumption at higher levels than would otherwise have prevailed.

We believe that it has served to modify the adverse effects of food faddists and cranks, some of whom attempt to thrive on a policy of criticizing bread as a food.

The costs of this educational and product public relations work are provided by the baking industry collectively and by many companies allied to the baking industry as suppliers.

We feel that is work of the utmost importance to the long-term well being not only of the baking industry but of the milling industry and for the wheat grower. We would welcome the support of both these industries in the expansion of these activities.

In this regard some of us have come to believe that there is a danger in basic producers - in this instance, those concerned in the growing and marketing of wheat - to take markets for granted. In this modern age of year round availability of a wide variety of optional foods, those concerned in maintaining the volume of consumption of cereal foods - growers - millers and bakers alike - will find themselves losing out in the market place, unless they themselves adopt the most aggressive policies



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in maintaining the markets for their products at the highest possible levels.

There are many factors that apparently influence the ups and downs of bread consumption. Not enough is known about this important matter. For example, the table indicates that hard times do not increase bread consumption. Per capita consumption declined sharply through the depression years of the 1930's. The highest per capita consumption was achieved towards the end of and immediately subsequent to World War II - a time of unusual prosperity.

Most bakers, however, do believe that higher prices for bread invariably have an immediate adverse effect on sales volume. ~~They prove this to themselves every time increased costs make it necessary to increase prices.~~ The baking industry thrives best when prices are stable.

It seems reasonable to conclude that stability of wheat prices since the war - to the extent that they have avoided further fluctuation in break prices than did occur - has been a contributing factor in keeping per capita consumption of bread also relatively stable.

This is important, for surely the prime concern of our wheat grower today is markets. Markets are of far greater importance at the moment than is the price spread.



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The baking industry claims no competence in assessing what prices for wheat are fair or proper. We do feel competent to assess the effect of changes in costs within the baking industry. We believe that higher prices for bread and other bakery products arising from higher costs - including wheat or flour - do have a tendency to reduce total sales.

12. Materials other than the Principal Agricultural Products Used by Bakers: In the second part of the materials listed in Table IV, some products show somewhat surprising stability - notably yeast and salt.

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The most outstanding change in this list is for packaging. These increased packaging costs ~~largely offset~~ all other changes. We believe it important enough to warrant further comment.

13. Packaging cost Increases: The increase in packaging costs which characterizes the baking industry over recent years is likely to be similar to that which has occurred in many other food industries. It stems chiefly from the great changes that have occurred with the advent of modern mass merchandising as typified by the super market. This change began a long time ago but has been greatly accelerated in the post war years.

14. Long before the advent of modern food



merchandising, one early form of packaging of a bakery product had become a symbol of primitive merchandising. The description "cracker barrel era" conjures up at once the changes that modern mass marketing has brought into being, and from the "cracker barrel era" down to this day improved and more costly packaging has been an important factor in changes in marketing that have occurred.

The wooden barrel is one of the oldest packages and continues to this day the best for some products. It was obviously the best package for shipping crackers or soda biscuits at one time. But for soda biscuits it left much to be desired.

It created immediate problems for the grocer. He, of course, had to weigh and re-package at point of sale. This introduced at once a labour factor and a second package cost in the paper bag. It created a problem of breakage. The last of the barrel had to be scooped as fragmented biscuits and sold at probably a loss. It created problems of dirt of all kinds, and it created a problem of staleness.

In contrast - today - the soda biscuit has reached a high level of package refinement. Today, as we know, a limited number of biscuits are packed in a separate unit - multiples of which are packed in a consumer retail package, attractively printed.



Finally, multiples of these consumer units are packed in corrugated shipping containers. All this packaging costs money, which of course is included in the selling price. But values to the consumer go with the package improvement and thus compensate for increased packaging costs.

The individual units retain their own freshness until opened for use. The biscuits do not break so easily before use. We believe, as far as most of us are concerned, we prefer today's method of packing and buying soda biscuits to those of the cracker barrel era, and we are willing to pay for the improvement.

But obviously, in welcoming the improvement and accepting willingly the necessity of paying for it, the farmer who grows the wheat - or the miller who produces the flour - gets a smaller percentage of each consumer dollar spent for soda biscuits. Rightfully so, neither has contributed in any way to the improved package. But, if the end result - and this is more than a probability - is that more soda biscuits are used, then the wheat growing and milling industries do benefit by the increased market - even though they receive less of each consumer soda biscuit dollar. They get a smaller share of more dollars.

This transformation of the soda biscuit



package and the benefits it confers on all concerned - from grower to consumer - has occurred with regard to the packaging of other bakery products.

15. However, not all bakery products have experienced the drastic package changes of the soda biscuit. Bread is a notable exception. The bread wrapper today is not greatly changed since its inception. In most parts of Canada the waxed wrapper continues in use for the standard loaf of bread. Perhaps largely because of the severity of the cost price squeeze which prevails in the Canadian Baking Industry, the trend to wrap bread in more expensive wrappers - transparent films and foil - which exists in the United States has been much less apparent or effective in Canada.

The sharp increase, therefore, shown in package costs as a per cent of the sales of all bakery products does not apply to bread to the same extent as to other bakery products. The change in the character of total sales as between bread and other bakery products, therefore, is of particular significance in reviewing these package cost increases.

16. Modern mass merchandising sets a premium on attractive packaging. In the modern grocery each baker depends for sales on the preference



which the buyer exercises at point of sale, and each baker's product is displayed side by side with competitive products.

The product has to be good - no package or any other device of selling will keep a customer repeatedly buying a poor product. But bakery products are individually as good as each baker can make them. Competition and consumer preference ensure that this is so.

Given uniformly good competitive products - under modern self service marketing conditions - the package achieves a high level of importance. The customer's choice between otherwise comparable products can be and is most certainly influenced by the attractiveness of the package.

Modern mass merchandising is, of course, efficient. It is probable that it has achieved its dominant place in the marketing of food stuffs because of its efficiency and resultant lower costs and selling prices. However, it does induce more costly packaging, and it is possible that much of the benefit which the consumer has received out of the inherent efficiency of super market merchandising is now being to some extent offset because of the increased cost of packaging.

17. Improved packaging does increase sales for a given product at a competitive market point of sale, and to a baker increased sales have an



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importance that can scarcely be over-exaggerated.

Over the past few decades there have been great changes in the mechanization of baking processes. These require large capital investments but they achieve high levels of manufacturing efficiency and resultant lowered costs, providing the necessary volume of sales enables the fullest use of the equipment.

Up to a given level of hourly usage - new modern equipment loses money for the baker who employs it. Somewhere along the line of usage sales volume break-even is achieved. Production or sales beyond this level become profitable and increasingly profitable as volume increases. The highest degree of loss occurs at the lowest level of use; the highest level of profit occurs at the maximum level of use.

We know of no business from which the penalties of under-use of equipment are so severe.

These are the conditions that make a baker strive in every way possible for maximum sales volume. And if a new, improved or more attractive package will increase sales a baker will most certainly adopt it.

These references to improved mechanization in the baking industry should be qualified. It would be a mistake to assume that improved equipment is



in itself a guarantee of successful bakery operation. It is a complex business and many factors are involved. A company can have the most modern of plants and still be confronted with problems of sales and distribution that negate the advantages of new plant and equipment. In other words, there are many bakers in Canada with relatively out of date equipment who operate profitably and successfully, and others with more modern plant who still find profits to be elusive.

18. Labour Costs: For the period 1935-1956 Wages and Salaries - as shown in the Annual Census of Industry Report - increased as a per cent of selling prices from 27.55 to 30.56 and nearly all of this increase occurred since 1952.

This increase of 2.85 - this should now read 3.01 instead of 2.85 - selling price per cent points is important. For example, it is greater than the amount of net profit enjoyed by the industry, as will become evident in a subsequent table; and is - as another example - equal to more than half the decrease in selling price per cent points for flour -- and there should be added here flour and other agricultural products -- which was 5.34 per cent.

Other changes in the wage and salary structure of the industry have also occurred within this first trend.

TABLE VII

BREAD & OTHER BAKER PRODUCTS - INDUSTRY

1946 = 100
Indices

<u>Year</u>	<u>Aver. Hourly Earnings by Hourly Rated Employees</u>	<u>Aver. Weekly Earnings by Hourly Rated Employees</u>	<u>Hourly Wages</u>	<u>Selling Price for Bread</u>
1946	55.7 cts	\$24.01	100	100
1947	61.8 "	26.08	111	110
1948	69.0 "	29.67	124	140
1949	77.7 "	34.11	139	139
1950	81.5 "	36.19	147	164
1951	90.2 "	40.05	162	182
1952	97.8 "	43.62	176	183
1953	103.9 "	45.72	187	190
1954	108.0 "	46.87	191	196
1955	110.1 "	48.00	198	198
1956	118.3 "	51.34	212	203



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While this table indicates that from 1948 until through 1954 hourly wage increases lagged behind selling price increases, it should be noted that in seven years out of the 10 years the increase in the index points for wages was greater than for bread prices, and during the whole period the increase in wage rates is 112 points while for bread' prices it is 103 index points.

The rate at which the wage index has overtaken and passed the price index since 1952 would seem to indicate a trend likely to continue, and at an accelerated rate.

Two observations might be made about this wage increase trend:

1. Throughout the period 1946-1956, the industry has invested in new plant and equipment more than one hundred million dollars. New plant and equipment invariably is expected to provide improved manufacturing efficiencies - which in turn should be reflected in lower labour costs per unit of output. Labour costs have increased from 27.55 to 30.56 per cent of sales, but this increase would have been substantially greater if the new plant and equipment efficiencies had not been provided.



D-JC

If I may interrupt the brief at this point, I would like to further qualify that statement when I have finished reading the brief. I am not sure it is properly interpreted in the way I have set it out in those figures so I shall come back to it.

2. The industry in many parts of Canada is changing over to the five-day week. This is a particularly difficult problem to resolve for the baking industry. It so far has been impractical to restrict baking and the distribution of bakery products to five days a week. Bread stales very quickly. Freshness is the most important quality that the housewife demands. The conversion to a five-day week in the baking industry is creating the most difficult of problems -- all of which are likely to be resolved only through a higher labour cost ratio.

19. Costs Other than for Labour and Materials:
In a previous table -- in which costs of materials and costs of wages and salaries are shown -- all other costs, apart from materials and labour, are tabulated in the last column.

These costs (including profit, if any) vary considerably from year to year, but for the 21-year period have declined from 24.73 per cent of sales in 1935 to 21.88 per cent in 1956.



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It is in this area of miscellaneous costs that there exists almost a complete dearth of statistical data. Cost of fuel and electricity are available from the Dominion Bureau of Statistics annual reports and these represent approximately three selling price per cent points of the total of these sundry items.

Profits in recent years have been about two per cent points, and taxes almost two per cent points. These three items represent approximately one-third of these sundry costs in 1956.

The other two-thirds include very many cost items, of which the following are but a few:

- Truck operation and maintenance
- All office costs other than salaries
- Advertising
- Machinery and plant maintenance
- Sanitation operations
- Storage and warehousing
- Distribution costs
- Carrying costs of buildings and plant
(or rents)
- Interest and financing costs
- Municipal taxes.

We are unable to include in this submission any detailed industry breakdown of these. Each of them is important. In total, however, their variations over the years covered by this report have not apparently influenced the general price



spread between producer and consumer. Nor do we believe they offer any prospect of reducing this spread.

20. Trucking Costs:

The one item in this area of miscellaneous costs that has given the industry the most concern is that of truck purchase and maintenance. Probably every bakery executive spends a good part of his working time trying to cope with the problem of how to keep under reasonable control distribution or selling and delivery costs.

Before the last war the horse and wagon was still in general use by the baking industry. Today, of course, motor vehicles have replaced wagon delivery. At first small panel type trucks were used. These have been replaced by larger and larger units.

The following table -- from the records of a large well established and efficient bakery -- shows what has been happening in terms of dollars:

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TABLE VIII

	<u>1947</u>	<u>1950</u>	<u>1954</u>	<u>1956</u>	<u>1957</u>
	\$	\$	\$	\$	\$
Delivered cost of New Truck	1,462	3,360	4,099	4,502	4,575
Cost of Gas, Oil and repairs (not including depreciation, insurance, etc.) per mile	4.85	6.02	6.62	7.12	7.65
Average Selling & delivery cost per unit sold	1.49	2.52	3.92	4.14	4.52

Here is a cost -- selling and delivery --
that has increased, since 1947, 303 per cent. In
the same period bread prices increased 180 per cent.

This whole problem is one of the most
perplexing that confronts bakers today in Canada.

21. Profits:

The only available source of public information on earnings by the Canadian baking industry is the annual compilation of "Taxation Statistics", which was first issued for the taxation year of 1944 and the last report of which is for the taxation year 1955.

The following table summarizes from these reports the profit and taxation status of the baking industry. I think the two percentage columns are the only ones that have any significance. You will note that under Net Profit as percentage of Sales, they have gone down from 1949 from 3.27 per cent to 2.01 per cent in 1955.



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In Profit after Taxes as percentage of
investment capital and net worth, it has declined
from 5.81 per cent to 3.33 per cent.

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TABLE IX
CANADIAN BAKING INDUSTRY
EARNINGS AND TAXES

In Thousands of Dollars

Taxation Year	No. of Profit Comps.	No. of Loss Comps.	Gross Sales All Comps.	Total Net Worth	Profits Before Taxes	Taxes De- clared	Net Profit After Taxes	Net Profit as % Sales	Net Profit as % Worth	New Capital Invest.
1944	120	14	80,722	51,972	8,034	4,883	3,151	n.a.	n.a.	1,181
1945	125	33	125,853	62,465	7,745	4,251	3,494	-	-	2,044
1946	143	28	108,361	69,965	7,410	3,710	3,700	-	-	3,740
1947	149	38	121,146	76,067	7,769	2,242	5,527	-	-	8,605
1948	126	67	168,544	94,833	8,094	2,584	5,510	3.27%	5.81%	11,134
1949	128	60	174,471	94,202	8,141	2,786	5,355	3.07%	5.68%	9,976
1950	133	72	185,501	110,324	7,452	2,659	4,793	2.59%	4.34%	9,976
1951	149	66	205,146	110,922	7,951	3,489	4,462	2.18%	5.41%	10,701
1952	177	43	228,082	114,975	10,287	4,898	5,389	2.36%	4.69%	10,525
1953	170	57	267,871	155,483	10,774	4,667	6,107	2.28%	3.93%	11,384
1954	190	78	284,893	166,952	10,573	4,732	5,841	2.05%	3.50%	12,638
1955	195	91	298,900	180,200	10,700	4,700	6,000	2.01%	3.33%	13,800



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The following comments appear to be warranted in recent years:

1. Approximately one company in three reports a loss every year.
 2. The net profit by the industry -- after taxes -- has declined since 1948 from 3.27 per cent on sales to 2.01 per cent in 1955, and from 5.81 per cent return on capital invested in 1948 to 3.33 per cent in 1955.
 3. Since 1948 the industry has invested in new capital expenditures some ninety million dollars, which is about forty-seven million dollars more than the net profit after taxes which the same companies earned.
22. Cost of Living Index Price Comparisons:
- All the price data included in this brief so far represented the selling price received by the baker. As pointed out earlier, the baker's selling price is the same as the consumer buying price on sales made direct to the consumer -- in house to house sales and in sales from baker-owned retail stores. It is less than the consumer price on wholesale sales. Dominion Bureau of Statistics consumer price data does, of course, represent consumer purchase prices.

Then we have a table for the same comparative



period from 1935 to 1956, using 1935 as 100 which shows that the full consumer index has gone from 100 to 197. All foods only have gone from 100 to 240 and bread only has gone from 100 to 134.

TABLE X

Cost of Living Index - Compared with
Indices for all Foods and for Bread
(1935 = 100)

<u>Year</u>	<u>Full Consumer Price Index</u>	<u>All Foods Only</u>	<u>Bread Only</u>
1935	100	100	100
1940	110	111	114
1945	125	140	118
1946	129	148	118
1947	141	169	129
1948	161	207	164
1949	167	212	178
1950	171	217	186
1951	189	248	205
1952	194	247	212
1953	192	239	216
1954	193	238	225
1955	194	237	225
1956	197	240	234

These figures speak for themselves. Bread prices have tended to rise more slowly than prices for all foods but since 1951 this lag has been disappearing.

23. Some Conclusions:

1. There is a trend within the baking industry that indicates that the spread between producer and consumer is increasing.

2. It has occurred partly because labour is taking a larger share of the consumer price.

3. It is also apparently partly to be attributed to increased packaging costs as a per cent of the consumer prices.



4. It arises in some measure from wheat price stabilization policies. These policies have served to keep flour prices stable and lower in the immediate post-war years than they would have been under free market conditions. However, today, in the light of existing wheat surpluses and marketing difficulties, government control of wheat marketing serves to keep wheat and flour prices higher than they would be under free marketing conditions.

Flour is only one cost among many that determine selling prices of bread and other bakery products. But to the extent that flour costs have been stabilized the selling price of the finished bakery products will also have been governed.

5. None of this increased price spread has remained with the baking industry. The industry's profits show a decreasing trend.

6. We offer no opinion as to whether this increasing price spread is either unwarranted or undesirable. Some of it -- particularly increased packaging costs -- probably has increased markets and therefore total consumption of farm products; and, with regard to some agricultural products -- particularly wheat -- total consumption would seem to be far more important today than the changing price spread.

7. In any event, there is very little that the baking industry could have done to have



prevented any of the changes which have occurred.

- (a) The baker does not regulate in any way the cost of the materials which he buys or their price trends.
- (b) Bakers have relatively little control over wage trends. They buy labour in a competitive market and negotiate with unions largely on the basis of labour market competition.
- (c) In the use of packaging they are under the compelling influence of modern merchandising conditions which it would be fatal to disregard. They are in competition for a maximum share of the consumer's dollar not only within the baking industry but against optional foods.

EXPLANATION OF STATISTICAL TABLES
INCLUDED IN THIS REPORT

TABLE I - Page 2

Sales of Bread - Compared with all other bakery products.

Source - Dominion Bureau of Statistics "The Bread and Bakery Products Industry in Canada" for the years included in the Table.

TABLE II - Page 4

Distribution of Sales by Wholesale - Retail House to House - and Retail Bakery Stores

Source - Dominion Bureau of Statistics "The Bread and Bakery Products Industry in Canada" for



the years included in the Table.

TABLE III - Page 5

Materials and Labour Costs as a Percentage
of Selling Prices

Source - Dominion Bureau of Statistics "The Bread and
Bakery Products Industry in Canada" for the
years included in the Table.

TABLE IV - Page 6

Raw Materials - as Percentages of Selling Prices

Source - Dominion Bureau of Statistics "The Bread
and Bakery Products Industry in Canada"
for the years included in the Table.

Percentages shown are arithmetical calculations of the total dollar usage of the materials listed - and which are included in the Dominion Bureau of Statistics reports - applied against total industry sales - also included in the Dominion Bureau of Statistics reports.

TABLE V - Page 8

Average Selling Prices - Bread - Flour -
with Comparable Indices

Source - Dominion Bureau of Statistics "The Bread
and Bakery Products Industry in Canada"
for the years included in the Table.

Bread prices per pound are arithmetical calculations of total pounds of bread sold and total dollar value of sales of bread. Flour per barrel prices are arithmetical



calculations of total number of barrels of flour used and total dollars paid for its purchase.

TABLE VI - Page 11

Per Capital Consumption on Commercially
Baked Bread - Canada

Source - Dominion Bureau of Statistics "The Bread
and Bakery Products Industry in Canada"
for the years included in the Table.

TABLE VII - Page 18

Wage Data

Source - Dominion Bureau of Statistics "Review of
Man Hours and Hourly Earnings 1946-1956".

TABLE VIII - Page 22

EARNINGS AND TAXES

Source - Department of Finance "Taxation Statistics
for the Taxation Years 1944-1955"

Net worth has been determined by deducting
from "the Total of all Assets" - the sum of
"Bank Loans" - "Payables" - "Tax Liabilities"
and "Other Liabilities".

TABLE X - Page 23

Source - Dominion Bureau of Statistics "Consumer Price
Index" for the years included in the Table.

I am sorry to have had imposed on you so
long. I did not think it would take that much time.

THE CHAIRMAN: Thank you very much. We
usually take a short recess during the morning and



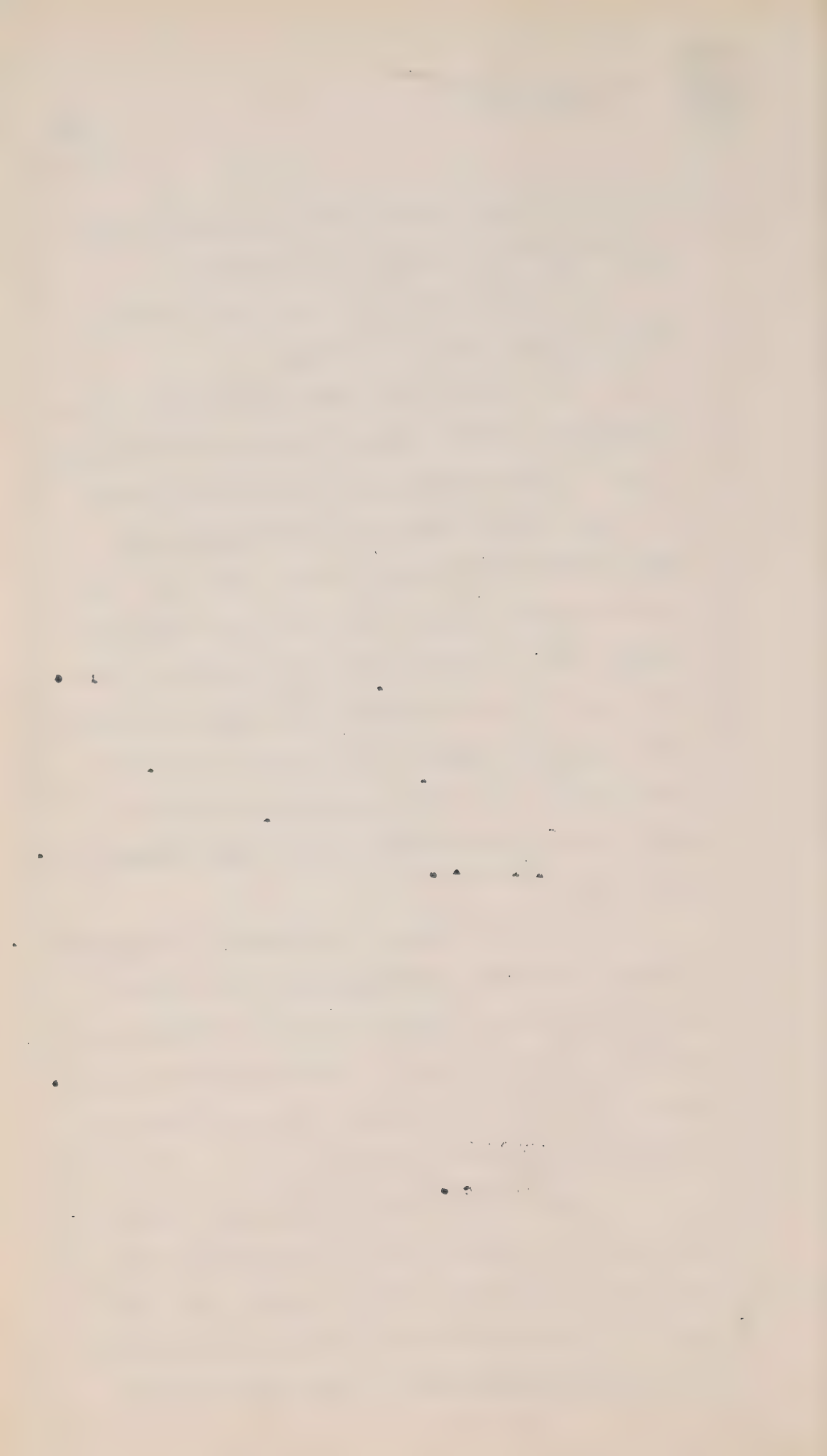
I think our questions may account for a little time and perhaps we should take the break now.

Before we do, there are just a couple of points I would like to comment on.

In Table II you show distribution of sales of wholesale, retail, house-to-house and retail bakery stores. I think perhaps you might be able to help us to get a better view of the relationships and complexities of the industry if you could just tell us, for example, whether the firms in the wholesale business who are selling wholesale are also selling from house to house, or whether they tend to specialize on the wholesale side and again whether the retail baker stores, as you have separated them here, are merely retailers and merchandisers or also engaged in processing.

MR. MAY: There is considerable overlapping in these divisions. In many parts of the country there will be large bakeries who still do wholesale, but also sell door to door. There are other large bakeries who do nothing but wholesale, but there is considerable overlapping in that field.

Now, when you refer to the retail store, of course, I am referring to bakeries who do their own baking in the store, or in a central depot, and take it to their own stores, but there are bakeries, manufacturing bakeries who do not do any delivery.





You go to the store and take your choice and carry it off home. Perhaps you would like to comment on this overlapping?

MR. ANGLIN: There is one concern, sir, that is in St. John only where there are doing retail as well as wholesale. Eastern Bakeries are strictly wholesale in every branch, and at all points. So are all other bakeries. I believe to a slight extent in Halifax, there is remaining some retail by two of the larger bakeries there.

MR. MAY: You mean by "retail" --?

MR. ANGLIN: I mean house to house in addition to wholesale to the store. It is a very very small percentage in the East.

THE CHAIRMAN: For example then, this increase in the percentage of sales wholesale, may be partly the the growth of specialized wholesale firms or could be an increase in the percentage of wholesale business done by firms that are both wholesale and retail.

MR. MAY: It could be both. I think there is a trend in the United States and a growing trend in Canada for a diminishment of delivery from door to door. There are some individuals who do not like to admit it, and do not like to see it, but certainly in the large metropolitan cities in the United States door-to-door delivery of bread is sharply on the



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Mr. May

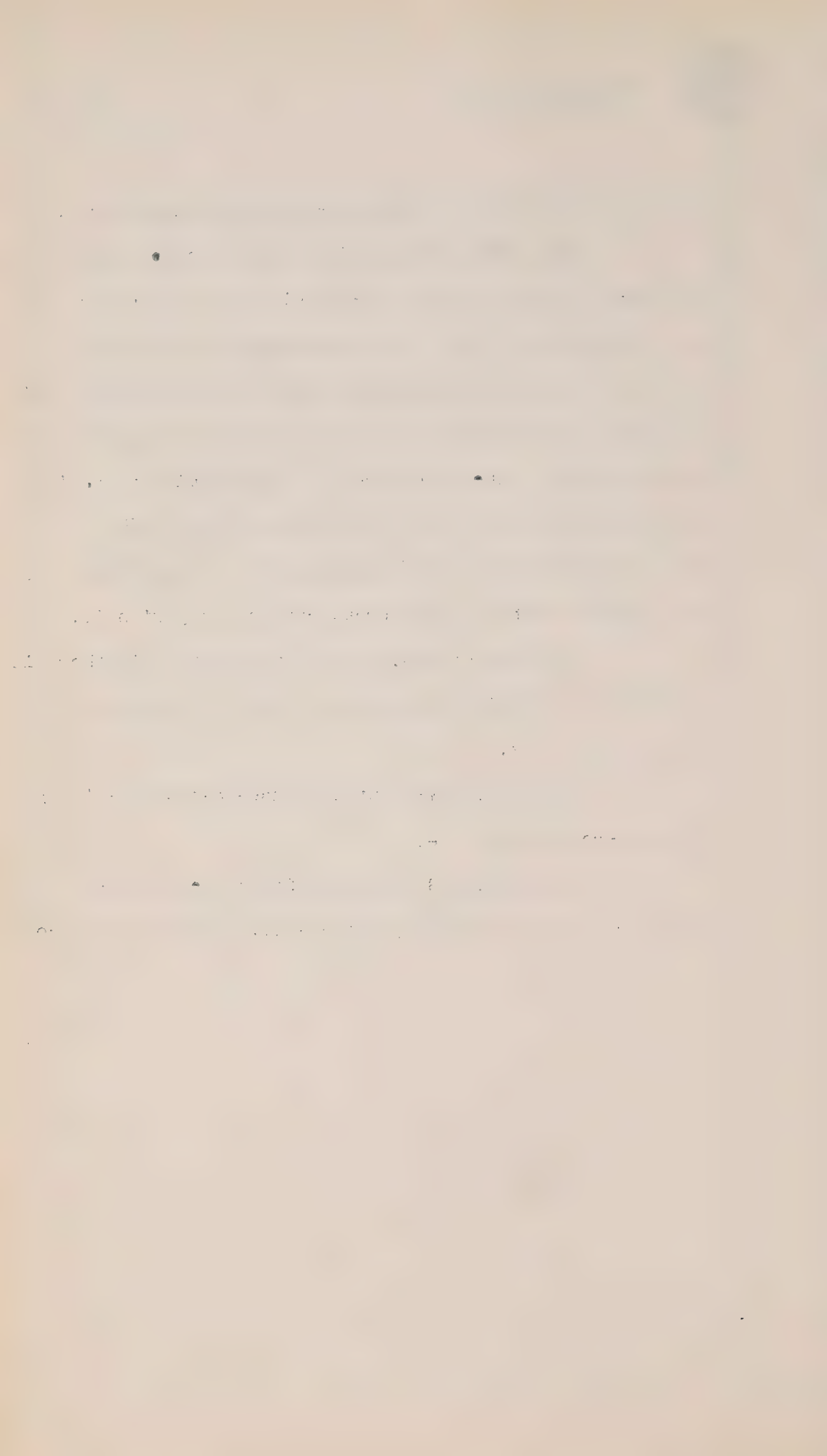
decline. It is almost nonexistent in many parts.

MR. ANGLIN: Your costs are too great, sir. We faced the issue at least eight years ago, and just said one morning "Cut it out completely." We can't afford to walk in and carry one loaf of bread upstairs and possibly one small package. The boys are far better off when they are all on a commission basis delivering 25, 50 or 100 to one store at the same time, and the grocer also is going to deliver to the home and the loaf of bread can go along with it.

I for one, Arthur, will not admit there is any decline in bread consumption at all. Certainly not with us.

MR. MAY: But in house-to-house delivery there is a decline.

MR. ANGLIN: A definite trend to get away from it. It is just too costly, completely too costly.





Prior to 10 or 12 years ago, there was considerable home baking until this last slight recession increased it a little. We have reduced that factor very considerably, and the commercial bread has come up proportionately.

THE CHAIRMAN: We may follow up some of these points in more detail after the recess, but the point I wish to comment on is that in a number of your tables you have indicated the changes since 1935 up to 1956, and we are interested in the long-term trends, but we are also interested in variations which have occurred in shorter periods, and, I might say, particularly in the last 10 years. The general pattern of change in the primary industries and in the processing and marketing of food products and the prices of these within that 10-year period has been, from 1947 up to 1950 prices generally were rising, and the relationship between primary prices, wholesale prices and retail prices remained about the same. That is, the index says were rising at about the same date, and then prices broke in 1951, and since then there have been a number of different relationships between the levels of prices of farm products, wholesale and retail, and so we are particularly interested in the 10 years, in that period of generally rising prices, and what has happened since 1951, since prices in the food industries turned down, and in general primary producer prices have

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declined whereas the retail price index has at least not declined to the same extent. Some of our questions in the next few minutes may deal more specifically with this latter period.

MR. MAY: If I may say a word about that, Mr. Chairman. When we start to deal with a subject like this it is always a problem of where to start, what to use, and some of these tables have been calculated on various other periods, and finally I decided 1935 probably represented the medium between boom times and the outbreak of war. 1929 was not a good year and I broke down it down in five-year periods until we reached the post-war period, and then broke it down year by year.

THE CHAIRMAN: Well, I think we will recess now for 10 minutes.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: Mr. May, you indicated earlier that you might wish to amplify one statement. Would you care to do so now?

MR. MAY: Yes, and the statement is the second paragraph on page 19 of the brief, and I refer to the fact that \$100 million of new equipment per unit costs, and then I made the statement:

"In addition to receiving the three selling price per cent points in higher



"earnings, labour would appear to have received also substantially all the values arising from the improvement in plant and equipment."

Now this is a statement that I believe to be true, but I don't think it is a statement that you can conclude from the tables. You can make this conclusion I think when you look at all the tables, and say the baker got none of the benefit, because of the benefit of the new equipment as such to the baker in terms of increased profit. It can be concluded from the tables that either labour got the benefits or the consumer, or both got it perhaps in prices that were lower than they otherwise would have been. It is not to restrict the statement, it is simply to say that I don't think it is a fair statement to conclude from the evidence it is based on. I believe it to be true, but my belief comes from talking to bakers across the country.

THE CHAIRMAN: Thank you. Mr. Kidd I think will start the questions.

COMMISSIONER KIDD: I would like to start at the front and work backwards from your submission, and on the first page, second paragraph you mention, when you are talking about the National Council, you say it has continued since the war, Could you tell us something about the functions that are performed?



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MR. MAY: Yes, we have an association office in Toronto, secretary office, which is engaged in disseminating material that is pertinent to the industry, that organizes conventions and that sort of thing.

The Ottawa office is under my direction, and concerned primarily with dealing with matters that concern the bakers, that has a sales staff. We are greatly involved in health and welfare foods, and Drugs Act regulations, and this sort of thing. These are in the main the things that we do.

COMMISSIONER KIDD: You say "...those matters which are properly the common concern of all bakers." What do you mean by that?

MR. MAY: I would regard agreement to restrict the prices as being improper for a trade association to be concerned with. There are things that industry might properly and if it is wise it will concern itself with, where they can stand on a common ground, influence, if you like, Government action. There is a long history going back 10 or 12 years with regard to sales tax.

Originally, the only product that was exempt from sales tax was bread. Negotiations with the Government of the day exempted bakery products, and then the baker's products were sales tax exempt, but many of the raw materials he bought were not, and through further negotiations



5 it added to the list of sales tax exemption all the ingredients going into bakery products. And then there were many, many negotiations on packaging material, which are still going on. There is a pattern sets up on things that it is necessary for industry to talk to Government about on an industry basis, and it is preferred by Government officials themselves rather than having 40 or 50 bakers coming in and talking of sales tax exemption. They would prefer someone who represents the industry to come in and do it.

COMMISSIONER KIDD: The concerns would relate to the same matter of common concern?

MR. MAY: That is right.

MR. ANGLIN: I see everything that comes across my desk, and down in the bottom drawer, I have 12 different files, they represent different committees of bakers, and they are purely voluntary, and possibly they haven't covered the Bakery Food Foundation, and I think under Mr. Cotter -- he is doing a wonderful service to Canada in controlling a lot of these food fads, and varieties of white bread, and what is proper to eat, and there is one on finance, and one on regional meetings that we hold to get different businesses together, letting them know we are here to help them with their problems.

COMMISSIONER KIDD: The last paragraph you



say: "... sells probably not less than 80 per cent in all bakery products." How many firms are there in your association?

MR. MAY: I think our membership list, and I am not sure, probably includes about 500 to 600 bakers.

COMMISSIONER KIDD: Out of a total of?

MR. MAY: 2,600, but in those 2,600 you have many small retail sources, one-man operations, the man gets up Friday morning and bakes, and then sells. People of that kind just don't have too much interest in associations. They haven't got time, for one thing, but most of the large bakers are members of the Association.

COMMISSIONER KIDD: You mentioned about 2,600 firms, in a table in here, you show 286 as far as statistics for the Canadian baking industry is concerned, Table IX.

MR. MAY: It is quite a curious thing, it is an industry that is highly concentrated. That 286 bakers shown in the income tax table is all the bakers who are filing income tax returns. We conclude that the other 2,300 do not make enough money to put in income tax returns. They are small operations, and there wouldn't be more than 300 or 400 substantial bakery concerns in Canada who could be regarded as big companies.

COMMISSIONER KIDD: How many?



MR. MAY: 300 to 400, somewhere in there.

MR. ANGLIN: I might add our Maritimes is listed as one in the National Council, yet we have 117 bakers from the East. We get them collectively in National Council.

COMMISSIONER KIDD: It would be difficult for us to relate the course of the sales to the number of firms generally in here, anyway, to the 500 or 600, as being members of your Society, and also out of the total of 2,600.

MR. MAY: Yes. Incidentally, it is interesting in that point Mr. Kidd, that if you look at that statement you will see that the total sales are shown for 1955 as being \$248.million. When you go back to the D.B.S. figures collected in a separate place, they show total sales as being 289 million, so that 285 recorded in this year, 286 reporting companies, have a total sales of 286, whereas D.B.S. report total sales to the industry as being 289. These 300 companies are really the baking industry.

COMMISSIONER KIDD: On page 2 at the bottom these reports show some changes that are constant enough to be regarded as trends, and I believe, as the Chairman has already indicated, we must concern ourselves with the period from 1947. In the table on the next page, Table I, if you take the period 1947, in fact if you go back to 1945 it is much the same. You will notice that the percentage



of total sales of bread has gone up 4 per cent, and the percentage of total sales in the other products has gone down 4 per cent, so that the trend, let us say, since 1945 or 1947 is different from the trend from 1935.

MR. MAY: In some instances, yes.

COMMISSIONER KIDD: Is it not generally?

MR. MAY: With 1945 we are dealing with this year which was the end of the war when there was a great deal of dislocation in the operation of business, largely coming out of the operations of the Wartime Prices and Trade Board, shortages and rationing, and so on. But, if you take 1947 you show a reduction of bread -- no, you show an increase in bread, and then when you get to 1948, it is pretty constant from then on. Now, one of the reasons I worked out the tables the way I have, the jumps in five years to 1945, and then single year jumps is because I concluded the latter years would be of more concern to you.

COMMISSIONER KIDD: The reason I asked that question, here and elsewhere in your submission, you say it is significant for a study of the industry, but I have not yet got the significance of it, because the trend seems to be different in the past 10 years than in the past 20 years.

MR. ANGLIN: Well, there is a change. I would not agree with the figures particularly, but



the bakeries are reporting as unit sales and it is marvelous the difference. Look at the youngsters today, they want a sandwich instead of two slices, and the loaves are up all the time, roll sales are decidedly up.

COMMISSIONER KIDD: That is bakery products other than bread?

MR. ANGLIN: Yes, so I think the use of wheat and flour is pretty constant all through.

COMMISSIONER KIDD: But it is true that during the past 10 years or so there has been a decline of 4 per cent on the sales of other products. Of course, if you take it from the period of 1948, you have a pretty constant figure.

MR. MAY: I am inclined to agree with you, this table does show a levelling out in the character of bread sales.

THE CHAIRMAN: May I pick that up for a minute? I understand that the low percentage of bread in 1945, 1946 and 1947 you would attribute to war-time controls and shortages at that time?

MR. MAY: It would be a factor.

COMMISSIONER KIDD: For three years, 55, 53 and 55 per cent, now you jump up to about the level that you are now, but there is a slight indication of a decrease from 52 which is 62.01, and then it does go down slightly, and I am wondering whether this is the more modest re-occurrence of the trend.



MR. ANGLIN: There was a slight recession at that time, and we came out of it.

MR. MAY: If you take the trend back further, it is more astonishing, and I did not go back, but if you took the total sales back to about 1920 you reach a level of 89 per cent or 90 per cent. The trend is there even though you say it is probably not too clear, but I am convinced that this trend of less bread and more cake is going on.

COMMISSIONER KIDD: On the next page about selling price percentage of raw materials and labour -- it is not the same for all products, is there any data on that?

MR. MAY: No, Mr. Anglin would have to answer you. I think if there was a higher rate of percentage on cake than bread certainly you would not have the same percentage of labour to make bread as to make rolls or doughnuts.

MR. ANGLIN: Doughnuts would go through, you could do them almost automatically, but cake is different with your decorating and filling. It is a much higher cost. Your stream-lined production of bread and doughnuts is fine, but with cakes the labour costs are considerably higher.

COMMISSIONER KIDD: Again getting back to an earlier question at the bottom of the page, this change in the character of sales, could you tell us why you feel we should keep this in mind?



MR. MAY: Because the fact that the character of sales is changing, labour factors are changing, material factors will be changing also.

COMMISSIONER KIDD: You mean labour factors will be changing as you get more into this area?

MR. MAY: I cannot answer that question.

MR. ANGLIN: A good many bakeries are completely out of the cake business because of cost; they simply cannot do it. We are hanging on but I know of only two others in the Atlantic region simply because of cost. I think it will be streamlined to fewer products which you can put through automatically, but we have not the population in Eastern Canada so it may be completely out. It is different in other cases where people are living in smaller apartments, but here it is mostly people living in their own homes, and when cake gets beyond a certain price they use their own kitchen, and the mixes.

THE CHAIRMAN: How far along have the mixers come in this?

MR. ANGLIN: Well, they had their "heyday" for about a year and a half, but I do not know of any baker who is still concerned about it. The housewives started out with them, they wanted to try them, and I know my own wife did, but they will buy our stuff if it is good, and we won't make anything that is not good, because whether it is



ourselves or any others in the industry our future is in quality, and once they lose confidence in us then we are through.

MR. MAY: At one time the baking industry was extremely worried about the inroads of cake mixes, but today they are both living side by side, and probably the usual adjustment has been made in both cases.

COMMISSIONER KIDD: Down at the bottom of the page, Table II, the higher percentage to sell wholesale, the sales to wholesale should be less costly to the baker than house to house delivery, of course?

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MR. MAY: Yes, I think so. In a general way, yes.

COMMISSIONER KIDD: So that you would be selling wholesale, you might not reap the benefit of a higher retail price, but you would save on your distribution costs.

MR. MAY: Yes.

COMMISSIONER KIDD: Are bakeries generally speaking in the three markets, wholesale, retail and house-to-house?

MR. MAY: No. There would be considerable overlapping across the country of people who sell wholesale and sell from door-to-door. In Central Canada, it is usually the same man who sells from house-to-house, and as he passes the grocery store he sells to the grocer.

There is a trend under way in which more and more large bakeries are going 100 per cent wholesale and discontinuing house-to-house service.

COMMISSIONER KIDD: Who are the wholesalers in bread?

MR. MAY: It is the baker himself. It is a description of the type of service he renders, but it is the baker himself.

COMMISSIONER KIDD: He sells to the chain stores, for example?

MR. MAY: That is right, or to the grocery store or restaurant.



COMMISSIONER WALTON: And restaurants are usually regarded as wholesale institutions?

MR. MAY: Yes.

COMMISSIONER WALTON: Those are all wholesale?

MR. MAY: Yes. Now, the retail bakery store is a separate institution. That is the baker who is in business for himself. He runs the store. He has very relatively no automatic equipment. He bakes cakes and bread. He sells it to the store. That is a separate problem because although they are large, and very successful, many of them are very small one-man outfits.

COMMISSIONER KIDD: Some bakeries only sell to one of these.

MR. MAY: Yes, some of the large bakeries are completely wholesale. Others wholesale and retail, and door-to-door.

COMMISSIONER COUVRETTE: Would these retail bakery stores include the big department stores and supermarkets?

MR. MAY: They could well, yes, where you had a retail baker who licensed himself within a supermarket as happens in some areas. Then he would be classified in his returns as a retail outlet.

COMMISSIONER COUVRETTE: The baker would hold a concession there.

MR. MAY: That is right, exactly.



COMMISSIONER WALTON: Some of the large supermarkets have their own bakery equipment there, and that has been a new trend.

MR. MAY: Yes.

COMMISSIONER COUVRETTE: These departments in the supermarket do not belong to the baking organization. Would they be included in that column called retail bakery stores?

MR. MAY: No, I wouldn't think so. I think they would be under wholesale.

COMMISSIONER COUVRETTE: Definitely belong to the wholesale.

MR. MAY: Yes.

COMMISSIONER KIDD: Do the chain stores have any bakeries of their own? Do they own their own bakeries?

MR. MAY: In some instances, yes. One of the largest chain stores in Western Canada bakes its own bread.

COMMISSIONER KIDD: I was just wondering because on the next page you refer to a change in supermarket merchandising. I was wondering whether that was what you were referring to?

MR. MAY: Not particularly. Most supermarket chains buy their bread from a baker. There are one or two who bake their own.

COMMISSIONER KIDD: On page 10 you mention that flour prices still tend to go down. How do the



large bakeries buy their flour? Is it in 100-pound bags or what sort of package is it?

MR. ANGLIN: Almost entirely 100-pound bags in our area, but there are some who buy by the railroad car, but at the present time we are a little bit too far away.

MR. MAY: This is a new trend. Flour is not packaged at all. It is blown into a tank car, and taken out by vacuum. That is a trend that is growing.

COMMISSIONER KIDD: That would be a saving, of course.

MR. ANGLIN: There are a number of additional problems. In the earlier days in this business, we got a bag of flour for 2-1/2 cents on every pound. Today it is over 9 cents every pound to bring it from the siding into the plant, the handling of the flour.

COMMISSIONER KIDD: On page 15 you are discussing packaging costs. How much does it cost to wrap a loaf of bread? How much does the wrapping cost?

MR. ANGLIN: About 1-1/10th cents on every unit.

COMMISSIONER KIDD: What are your labour costs on that unit?

MR. ANGLIN: I could give you that too. An hour long labour production -- that would vary with the different plants -- depends upon your equipment right straight through. You will run anywhere from



.89 to 1-1/2 per unit.

MR. MAY: That is not for the wrapping.

MR. ANGLIN: For production costs we consider a wrapped loaf is the finish of the production and delivery.

COMMISSIONER KIDD: It runs about a cent to wrap it, and labour costs about a cent.

MR. ANGLIN: The paper on it is a little over a cent.

MR. MAY: But it doesn't cost a cent to wrap it.

MR. ANGLIN: No, the wrapping is in the production costs, so that is mixing and baking and wrapping all included.

COMMISSIONER KIDD: I was just wondering how much, in terms of packaged costs it actually costs to wrap a loaf of bread. I suppose that would be a difficult item to break down.

MR. ANGLIN: In addition to the packaging, there are the carton costs and getting it in proper shape to the grocer. We used to get a 26-loaf carton at one time for about a cent. Today it costs for a 16-loaf carton 42 cents. That is why we shifted to the delta. That all comes in packaging costs and carton costs, and to us it is tremendous.

COMMISSIONER MacKICHAN: What percentage of the carton comes back for re-use?

MR. ANGLIN: In the old days we figured



four trips, and we would be lucky to get them back. We don't get more than two trips out of them today.

MR. MAY: There is a trend to a more substantial shipping container which is made out of heavy metal. They hold 20 loaves of bread, and as they are loaded up, stacked on top of one another, these are quite efficient. These are made of heavy wire, and they are very expensive units, but they have longer re-use and the cost, in terms per unit, is less.

Part of this trend stems from also another trend to produce a softer loaf. There is a trend in this country, as in the United States, where the housewife is still squeezing the loaf, and the bakeries make them softer so she is satisfied. That makes for a more substantial packaging and need for a better packaging.

COMMISSIONER MacKICHAN: Would the softer loaf have a higher moisture content?

MR. MAY: I would not think so.

MR. ANGLIN: It has nothing to do at all with moisture content. Their absorption is about the same at all times.

COMMISSIONER KIDD: What happens to stale bread? You say bread stales very quickly on page 19.

MR. MAY: Well, that is one of the most perplexing problems the bakery has to contend with. Most bakeries today are coating their bread, and make





very sure that no bread remains on sale anywhere at the most for a period of time -- I think it is 36 or 48 hours which is considered to be the limit.

Bakeries take the bread back for salvage -- what they can get out of it by feed, but it is a concern to the bakery to make sure that his product is available fresh. That is something about which every baker is concerned, and stale returns are very costly expenses to the bakery units.

Probably the average cost across the country would be not less than 1-1/2 to 2 per cent on all sales.

COMMISSIONER KIDD: On returns?

MR. MAY: With some recovery after.

COMMISSIONER KIDD: I was wondering what the recovery was.

MR. MAY: After you get your stale bread back your recovery is you hope you can get the equivalent of your ingredients out of it in selling it for pig feed or for some other use.

MR. ANGLIN: We are awfully lucky if we can get that even.

MR. MAY: Yes.

MR. ANGLIN: The answer is in proper training. If your sales are limited. If your sales are limited to 48 hours from the wrapping machines -- these salesmen are on a commission basis. They are wonderful boys. They know the potential of



each store far better than the grocer does. They just want to make sure they don't lose any good customer selling stale bread. He watches that. He can tell by his quota exactly what they should have. Sales are just on a minimum.

MR. MAY: We had a regional meeting and discussion on this question of stale returns which Mr. Anglin chaired about six weeks ago. We were doing some exploring. One of the things we asked the meeting was how many would be in favour of making it illegal for you to take bread back. Nobody was in favour of it. They were too aware of the consumer demand for fresh bread to take the chance even with the law saying you do not have to take it back. They could save this 1-1/2 per cent with the law, but they don't want that law.

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MR. MAY: That is one of the weaknesses in the D.B.S. figure, in part of your Terms of Reference; these are all D.B.S. figures, and D.B.S. charts are used, bulk salaries and wages. This includes all salaries and all wages. Now men in business usually like to separate salaries from wages. They have an office cost which includes salaries, and then they have the wages, but that figure is not available. The figure that we are showing, as labour cost, I am talking about total cost of labour and salaries as you see in the D.B.S. returns.

COMMISSIONER KIDD: So it is production and non-production?

MR. MAY: Some non-production.

COMMISSIONER KIDD: The use of the phrase, that some of my colleagues do not care for, in fact it is your factory workers and salary workers lumped together, which are your labour costs?

MR. MAY: Yes, and the reason we use it, it is all that is available.

COMMISSIONER KIDD: Well what interested me there was looking at some figures in the Census of Industry for the baking industry. I notice that in 1951 you quote average weekly earnings for hourly rated employees at 40.5, and salary worker salary is 47.11, and 1955 the hourly rated employee's wages \$48, and from the same census the salaries



were up 69.23. This indicates that there has been quite a change in the rate of appreciation of salaries as against wages. Have you any comment on that?

MR. MAY: No. If the figures show that, then that is what has happened of course.

COMMISSIONER KIDD: Why?

MR. MAY: I think perhaps office help in bakeries today requires to be more skilled than it did a few years ago. I think our production and management techniques have come into the distribution trends; then I think the level of clerical help in the bakery office is probably much higher than it was a few years ago. There is a need for it.

COMMISSIONER KIDD: I am just wondering what the explanation was for that, because in 1951 if you take those figures, wages were 82 per cent and salaries in 1955, they dropped to 69 per cent.

MR. MAY: I would not want to comment. I don't really know the answer.

COMMISSIONER KIDD: All right. Under the same heading labour costs, you say "... increased as a percent of selling prices from 27.55 to 30.56." Now this includes the whole industry?

MR. MAY: Yes.

COMMISSIONER KIDD: The efficient and inefficient?

MR. MAY: Yes, it probably does not include many of these 2,3000 miscellaneous small bakers.



Some of those don't pay any wages. The boss pays himself what he gets. But it does include the efficient and non-efficient.

COMMISSIONER KIDD: Would you have the figures for say the first half dozen or dozen firms?

MR. MAY: I don't have them, no. They are not available publicly. If there was a reason for you to have them, I am quite sure the industry would give them to you.

COMMISSIONER KIDD: You mentioned that the only source was D.B.S. I thought possibly the bakers in their annual reports would have given an indication.

MR. MAY: Well, we don't have it in our office. In their annual statements, there are relatively few public companies in the baking industry.

COMMISSIONER KIDD: In the next table, Table VII to which we have referred already, and in your summary you point out that the hourly wages have increased from an index of 100 to 212. As far as the selling price for bread, it increased from 100 to 203, a smaller increase. That indicates that the price of bread has gone up slower than the level of wages. A number of points come out of that.

Would you say that if the price of bread, let us take 1949, because there is a level figure there of 139 in the index, would you say that if the price of bread has reached a reasonable level on



that point, from your standpoint, then it would be less likely to increase at the same rate for some other factor which might not be considered to have reached that reasonable level?

Supposing bread was 16 cents a loaf, and it went up to 18 cents a loaf, percentagewise it might not be so much as compared to a rise say on the order that you have mentioned here, but what would you say about the reasonableness of the increase in the two?

MR. MAY: I would not want, and I am quite sure Mr. Anglin would bear me out on this, I would not want to pass any adverse comment on the question that wages have risen more rapidly than prices. How much is a man worth? These wage increases have come about by negotiations with unions, by and large. If we take the objective view they have probably been reasonable, so I do not think anyone representing our industry would sit in judgment on this question. It is simply there is a fact. That is all. We just put it there.

COMMISSIONER KIDD: The reason I raised this is you have made quite a point in this submission, and in your preliminary statement this morning, about the labour cost. You constantly referred to labour costs and wages, the price economy system, and so on, and I gathered from your submission that there are two costs that you feel are responsible for the present day price; one packaging and one labour, so



I was trying to get some consideration of whether or not the wage rise had been inordinate from your standpoint or not?

MR. MAY: I would not so regard it as being inordinate. I say there are two main reasons, one is packaging and one is wages. I prefer to say that is what happened and not -- I do not think any of us wants to sit in judgment on the trend of wages in this industry.

COMMISSIONER KIDD: Well now you have made the statement on page 25, it relates back to what we are discussing here: "Bakers have relatively little control over wage trends. They buy labour in a competitive market, and negotiate with unions largely on the basis of labour market competition." Now could you tell us is the bakery industry considered to be a high wage or low wage industry?

MR. MAY: In the scale of some of these tables, with which you are probably more familiar than I, to the average hours of work, and so on, they are somewhat lower than half way down the scale, so you can say that with regard to all manufacturing wages they are slightly lower than the mean, than the average.

COMMISSIONER KIDD: You say that you buy labour in a competitive market. With whom?

MR. MAY: Unions, or the individual worker. The word "buy" is not a good word. Wages are determined



largely on the basis of union negotiations, or if there is no union, on the basis of the individual employee.

COMMISSIONER KIDD: You say in a competitive market. How do you mean that?

MR. MAY: Well the bakery competition, the baker -- the milkman is getting paid in a certain town \$50 a week. The baker is not going to be able to hire one for \$40 a week. There is competition in wages all the time.

COMMISSIONER KIDD: You are not suggesting that wages are the same in the same city or town for all industry?

MR. MAY: No, but they generally have some ratio. I mean generally speaking bakers would be on a ratio or the same wages in a given area, where the baker won't be paying his help twice as much as another.

COMMISSIONER KIDD: But you could have in the same area, talking of competition for labour, you could have in the same area some wages almost double?

MR. MAY: Yes.

COMMISSIONER KIDD: Than others, depending on the type of industry?

MR. MAY: That is right. Now the baking industry has a long tradition, and in depression was known as being a steady industry where there was no



seasonal employment, and probably reached a lower level of wages than industries that were seasonal. A man would take a lower wage or be satisfied with a lower weekly wage knowing he was going to work 52 weeks a year, than he would if he were on a seasonal job. There have been adjustments going on in the baking industry in wages, and I don't think I want to sit in judgment on it at all.

COMMISSIONER KIDD: Referring to the second paragraph on page 19, you have given us an additional comment on it, but I was wondering is it fair to take from the figures of sales that you have listed in your submission, and the numbers of workers in the industry from year to year, some indication of the increase of productivity of workers?

MR. MAY: I don't know how you would determine that. Surely the yardstick when you are talking about price spreads is the percentage of what each took of the price, and these references in this brief are to what each took of the selling price of flour, what each took of the wages.

COMMISSIONER KIDD: But there and later on you have said or indicated that labour's share was increasing. I was wondering if you would comment on the production per worker and the change in value over the years on the production of each worker?

MR. MAY: I don't know. I would say that



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there have been changes in production, in the output. Some of these have come about partly because of increased mechanization, but whatever these adjustments were, it is still possibly due to the fact that, in the period under consideration, of the selling price labour is still getting more of the selling price than it was, whatever the adjustment in output has been. They all happened within that scale.

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COMMISSIONER KIDD: The reason I asked that is I noticed in the figures for 1951 and 1955, that the increase in the value of production had been about 13.1 per cent and I think that was fairly close to the national average increase in productivity per year.

MR. MAY: It could well be.

COMMISSIONER KIDD: So that it is not quite right to bandy around something that the worker did in fact get all of this value ---

MR. MAY: No, I wanted to qualify that. That was the only statement on re-reading the brief that I wanted to change. I do not want to retract this. I believe the statement is true, but I do not think you can interpret it -- as far as you can go is with regard to improved efficient equipment -- either labour gets it or the consumer gets it.

COMMISSIONER KIDD: I just wondered on Table 9 if you could give us something more about the industry, again referring to the years 1951 and 1955, because I notice that the number of companies increased by 71 but the number of employees increased by about 1200, so that the average number of employees per company has decreased from 155 to 117. What is the explanation of that?

MR. MAY: Well, bakeries come in all sizes, I am afraid. As I said before, there are many of them which are just one man and then you have large operations like the company Mr. Anglin is president of, and



he must have hundreds of employees.

MR. ANGLIN: Just short of five hundred.

MR. MAY: In between this one employee and 500 employees there are all kinds of variations.

COMMISSIONER KIDD: There are a large number of companies that have less ---

MR. MAY: There are a larger number of them paying income tax.

COMMISSIONER KIDD: There is an increase of about 30 per cent since 1951 and an increase in sales since 1951, but the number of employees has fallen about 25 per cent.

MR. MAY: For the whole industry the number of employees tends to go up very slowly. It is almost nothing. Each year there is more bread and cake used but not very many more employees.

COMMISSIONER KIDD: Could you take from this -- are we to assume that the larger companies are increasing in size?

MR. MAY: I would think so.

COMMISSIONER KIDD: Well, on that same table you have the net profit as percentage of sales and then you give us net profit as percentage of net worth, and you notice you have pointed out a decline to 3.33 per cent. This, of course, includes all companies, including the 91 non-profit?

MR. MAY: Yes.

COMMISSIONER KIDD: You do not have anything



on the return of net worth ---

MR. MAY: I think it could be determined from the table I took this from. I have not shown it but it is here.

COMMISSIONER KIDD: Just a general question on this: in looking it over I was wondering, do you consider this sort of table a fair summary of the industry's position? Let me put it another way: would it be proper, let us say, to set farm prices or judge farm prices on the basis of returns of a marginal farmer or is it proper or fair to judge returns for the industry on the price of the product of the marginal producer not in industry?

MR. MAY: These are the producers of bread. I do not think any marginal producer is in this list of companies. The profits are marginal, but as operators, no.

COMMISSIONER KIDD: The assumption from the table is that the industry is not doing too well?

MR. MAY: I think that is a perfectly reasonable assumption.

COMMISSIONER KIDD: I am questioning whether it becomes reasonable to take the industry as a whole and say that it only made a return of 3.3 per cent whereas 195 companies may have doubled that?

MR. MAY: Well, I think it is fair but it is up to you if you want to disagree. That is all the industry got. I think it is a statement of fact



and I do not think it is an adequate profit.

COMMISSIONER KIDD: I am not disagreeing with you.

MR. MAY: Well, that is my opinion.

COMMISSIONER KIDD: I suppose in the industry you could take everything and by including everything you present something similar to this, but I am wondering if it is the yardstick that we should use in sizing up the industry.

MR. MAY: Well, I would use it. As I said before, I think it is a proper way to do it.

COMMISSIONER KIDD: You say approximately one in three reports a loss every year. What happens to these companies?

MR. MAY: Well, they get busy and improve their management techniques, they get busy and improve the consumer acceptability of their product, they do something about it and get into the black sooner or later, or else the receiver comes in. Management steps in to try to correct the situation and it should be obvious that they cannot do it simply by raising their prices.

COMMISSIONER COUVRETTE: Have there been many bankruptcies in this industry?

MR. MAY: It is an industry that has a high record of people going out of business.

THE CHAIRMAN: What is the investment to get into a small bakery? You mentioned this 2600.



What capital would you need to get in?

MR. MAY: I would not know definitely but you could conceivably get in with an electric range; you could start that simply if you wanted to and then buy your mixers and so on.

MR. ANGLIN: Some of those small people are the most profitable in the whole group. They have a clientele who like their goods and they come back.

COMMISSIONER KIDD: On the profits since 1947 you mention, how was that raised? Was it re-invested or money raised in the market?

MR. MAY: A good part of it would be reinvestment of undistributed profits. This industry does not distribute its profits so over the war years particularly there would be an accumulation of undistributed profits, using up of reserves; some of them would be borrowed from banks, some of them in stock.

THE CHAIRMAN: I have a few questions I would like to ask and they are really related to the raw material side, particularly the price of wheat and flour.

To bring you back to the table, I am thinking of this ten-year period particularly, starting with 1947. The cost of materials in that year was 48.32. Now, actually in 1948, 1949 and 1950 this rose a little bit, the trend was upward in that period, and since then it has turned down again. That is, from



50.9 it goes down to 46.12, and in 1956 it is a little bit up. Really what I want to get at is that I think these movements over this period are in fact to some extent related to raw material prices?

MR. MAY: That is right.

THE CHAIRMAN: Now, if you look at Table IV, taking first of all the total at the bottom, we notice that the high figure is at 1950, 50.90 per cent. These two groups of raw materials decline -- this is the same figure, really?

MR. MAY: Yes, it is.

THE CHAIRMAN: That is, it has dropped 3.34 per cent. You bring out that there was one figure which goes up continuously and that is the packaging of the materials. If we take that out, that is other materials, that is other than packaging, it would decline from '50 to '56 from 44.87 to 39.60. That is a decline of 5.27 and this merely accentuates the raw material percentages if we take out packaging. Now, take the first four of them under Principal Agricultural Products, flour, lard, shortenings, butter, milk and other dairy products, eggs and egg products, and if you look at these from 1950 to 1956 the percentage declines from 38.71 to 33.90. That is a decline of 6.03, so I am getting my decline up a bit by taking out certain things. In this case we look at flour and here again I think 35 is high; 1950 hit a high point again; at least it



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is high and there has been a decline since then from 23.73 to 19.10; that is a decline of 4.63.

Now, your discussion on page 7 of the argument, it seems to me, gives us sales values to quantities as if there was no significant trend in the prices of these things, no price changes.



cent, and the bread price going up nearly 12 per cent. Now, on page 9 of the brief, the last sentence of the last but one paragraph you say "It is the further costs which have been constantly increased since the war which represent 80 per cent of all costs incurred in the industry -- that have been chiefly responsible for rising selling prices."

In the light of the figures I have indicated for the raw material prices, and having in mind this period from 1950-56, would it not be correct to say "wholly responsible"?

MR. MAY: "Entirely" would be the right word.

THE CHAIRMAN: Not chiefly responsible.

MR. MAY: That is right.

THE CHAIRMAN: Then on page 10 about the middle of the page, that paragraph beginning -- the sentence reads: "This condition appears to be unrelated to prices for wheat and arises to some extent from highly competitive conditions within the milling industry for domestic flour volume."

I have shown you during this period wheat prices have in fact fallen, and therefore is it not correct to say that the flour prices has been related to the falling of the wheat price. It is one of the factors that is responsible during this period.

MR. MAY: Yes, but the question certainly on the basis of the figures you have given me, if that is



correct, of course, -- I am not a student of wheat and its market movements. You say wheat did decline in 1951 from \$2 to \$1.73. What is this \$2 figure and this \$1.73 figure? Is it the price that the miller pays, or is that the price someone received?

THE CHAIRMAN: I am using the figures actually which were provided to us by the Alberta Wheat pool in its submission, and it is the domestic wheat price. Now, if these figures are wrong, then it is true that my argument does not stand up, but we will get the correct prices, and we will check these; but assuming that this is the domestic wheat price, then you would have to qualify your statement?

MR. MAY: That is right.

THE CHAIRMAN: Again at the bottom of that paragraph on the page you say "Obviously the 15 index point flour price decline since 1952 arises entirely from factors other than the price of wheat." This would not be correct.

MR. MAY: These figures are reported from briefs that are correct figures. If they are not the correct figures on this statement obviously it would require an increase.

THE CHAIRMAN: Mr. Dawson tells me those are Fort William prices. I think we know enough about it that there has been in fact a decline since that period. However, we will check it. On the



assumption that this sort of change did occur, you would have to modify that.

MR. MAY: Yes.

THE CHAIRMAN: I think those are all the questions I have at the moment.

COMMISSIONER DRUMMOND: Just one or two questions. You make considerable comment, Mr. May, and Mr. Anglin apparently feels definitely the same way, of the fact or at least of your viewpoint that there has not been a very pronounced downward trend in the per capita consumption of bread.

MR. MAY: Well, we are talking commercially.

COMMISSIONER DRUMMOND: Yes, that is the point I wanted to make. Your figures here on Table VI, page 11, refer, of course, to the per capita consumption of commercial bread.

MR. MAY: Yes.

COMMISSIONER DRUMMOND: But what I was wondering is this; whether or not the period covered here, from 1925 to the present, whether during that period you would not agree there has been a very pronounced shift from home baking to the use of commercially produced bread.

MR. MAY: I would think that is fair, yes.

MR. ANGLIN: Until we bumped into this little bit of a recession.

COMMISSIONER DRUMMOND: What has been the



experience since then?

MR. ANGLIN: Every bakery in this part, I am sure it applies right across the country, is feeling it quite definitely.

As a matter of fact I was talking to the manager of Dominion Stores. It is an excellent store. He made this statement. His yeast sales were down 5 to 1 today, as compared with last September.

So far, all our wheat is still being used commercially, but the rate is definitely down.

Don't forget with this warm Spring sunshine, that trend will change. We hope to be back again.

COMMISSIONER DRUMMOND: Somewhere in here you indicate that during the depression years of the thirties, there was not any increase, or no decrease in the per capita consumption. Again that would be the commercially-produced product.

MR. MAY: No. What I said was that the depression years did not increase the per capita consumption of commercially baked bread.

COMMISSIONER DRUMMOND: Would that not, in your opinion, tend to decrease it?

MR. MAY: Yes, except there has been the argument that has been stated and re-stated so many times, that the Maritime people go back to eating more bread because it is a cheap food. That is not borne out in any of the studies that we have. Hard times do not seem to make people eat more bread. I think that is



what the table shows.

COMMISSIONER DRUMMOND: In other words, the reason is if there is any drop in bread during the depression period, there may have been more home baking. The same thing may have obtained during these years.

MR. ANGLIN: Definitely.

MR. MAY: That is something we do not know enough about. What makes people eat bread?

COMMISSIONER MacKICHAN: Would I be correct in reference if I said commercial bread is today a luxury item?

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MR. ANGLIN: Not so much that, but so much that our territory is rural.

MR. MAY: If you are speaking of quality, it deserves to be in the luxury class.

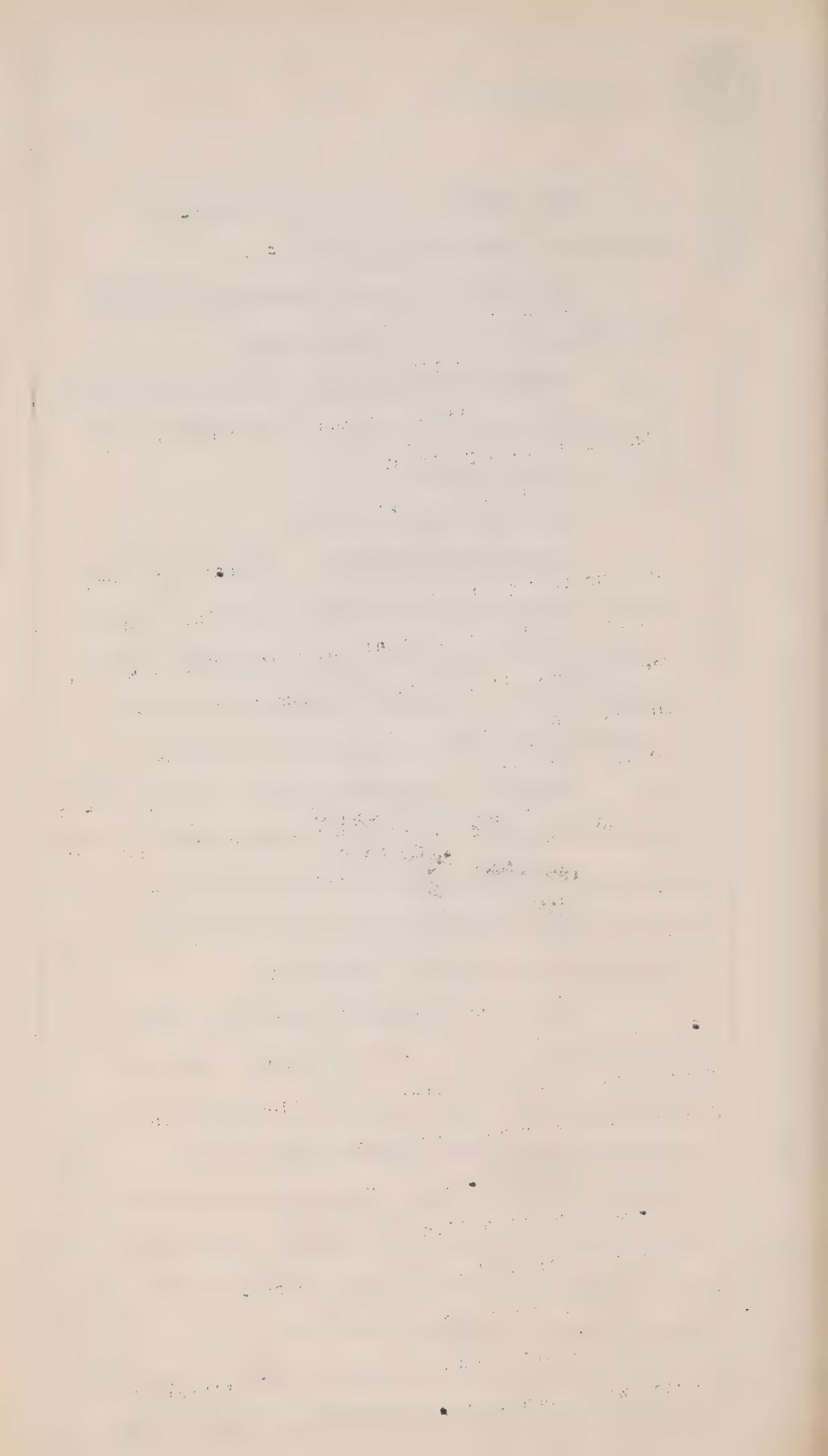
COMMISSIONER MacKICHAN: If it has dropped off by the recession, it must be considered one of the first luxury items?

MR. MAY: That is right.

COMMISSIONER DRUMMOND: What I am really anxious to try and clear up here is this: You indicate, Mr. May in the brief, that there is a fairly general feeling that the per capita consumption of bread has been and is likely to experience a downward trend. Now what I am wondering about is if you take into consideration, and if you add home baked products to the commercially baked products, in order to make the total production hold, you would still come to that same general conclusion?

MR. MAY: I think the impression that I was trying to create is that it is not a hopeless situation. You recall that your colleague on the Gordon Commission made some headlines out in Edmonton I think it was. It said we will not be eating any bread at all in 50 years. The bakers do not agree with that as being the case at all. Neither did Dr. MacKenzie, of course.

The point I am making is that if everybody concerned with wheat, even assuming they have got





a cactus market do not have to do anything to hold their market, the thing you are talking about would be accelerated, but if the wheat growers and those connected with the marketing of wheat products decided they could do something to influence the public chances are this downward trend could be slowed down.

MR. ANGLIN: My strong view is the human bread basket is just so big, and we have 300 times the articles in the grocery shelves which are very tempting, and I still say the answer is the quality of the baker's loaf. I think the quality in Eastern Canada, with all due respect, is tops in Canada, and I say definitely our sales have not come down. When I say "our" I mean all our competition have tried, and they do pride themselves on the quality of the loaf they are making in Eastern Canada.

COMMISSIONER DRUMMOND: My thought there is simply this. You say your sales have not gone down. Would not that possibly be due to the fact that there has been a discontinuance of this shift to home baking?

MR. ANGLIN: And still more to get, and we are still baking and we will keep on.

COMMISSIONER CUVRETTE: Well according to that conclusion of higher per capita consumption during the depression years, do I understand right

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right that these figures seem to infer that the consumption was a little higher during the depression years?

MR. MAY: No, it went down. It had a tendency to go down.

MR. ANGLIN: Commercial bread goes down, but home baking goes up. The same bread is eaten, but it is not ours unfortunately.

COMMISSIONER DRUMMOND: You mentioned a very significant statement it seems to me on page 12, the second last paragraph:

"The highest per capita consumption was achieved towards the end of and immediately subsequent to World War II, a time of unusual prosperity."

The fact that it was a period of unusual prosperity, might that not have made it financially possible for a lot of people to speed up this shift we are speaking of? Was there not also a period of physical activity where that was required?

MR. ANGLIN: A lot of wives were working, that is right. They did not have time to bake any bread.

COMMISSIONER DRUMMOND: That is right. It was a period when physical exercise was abnormal and you required it perhaps for loss of energy.

MR. ANGLIN: Two pay envelopes coming in could



afford to buy a loaf.

COMMISSIONER DRUMMOND: The other point that I really wanted to speak of is your statement relating to packaging to the possibility of expanding sales of bread and therefore of wheat. My general feeling and I would like to get your reaction to it you state in your conclusions, bottom of page 24:

"We offer no opinion as to whether this increase in price spread is either unwarranted or undesirable. Some of it -- particularly increased packaging costs -- have probably increased markets and therefore total consumption of farm products."

You say elsewhere also that you have a very attractive package that is likely to add to your sales, and you naturally will use it for that purpose.

What I am wondering about is whether people are not going to eat more bread just because it is attractively packaged. It seems to me they are likely to eat more of one particular baker's bread rather than another, rather than bread in general.

MR. ANGLIN: I think what Arthur meant is including related products. For example, we heard this morning of sliced rolls which we haven't had before attractively packaged, with recipes on the back, how these can be used, different methods



different sandwiches; youngsters come in after school and eat bread. But it is so much bread alone.

MR. MAY: This conclusion is based on the reference I made to the soda biscuits. Now I assume, maybe I can't prove it, in fact I can't, that we eat a lot more soda biscuits in our house because they are always fresh, than we would if they were damp and soggy. Therefore I assume, and it is a highly refined package, the soda biscuit has three or four in a wax wrapper, and the biscuits are always fresh on the table, and I think you probably use more of them. I think the sale of soda biscuits has multiplied because of the refinement of the package. That is the point I am making there. Now that is not true of all packaging. There are a lot of packages that are purely to attract the consumer to buy in preference to another brand of the same product, and this contributes nothing to the farmer, at least I don't think it does unless it does have the benefit of overall consumption of products.

COMMISSIONER DRUMMOND: So your view is that improvement in packaging has definitely added to the total consumption of bakery products generally?

MR. MAY: Some bakery products.

COMMISSIONER DRUMMOND: Yes.



MR. MAY: Not all the same bakery products.

COMMISSIONER DRUMMOND: Regardless of who actually produced them; it is not just one particular competitor or producers.

MR. ANGLIN: Under our New Brunswick Provincial Health law, we must wrap every product. For a slight fraction of extra cost why shouldn't the package be attractive, if we have to do it anyway, and bear the expense, but I would say every loaf in our competition is wrapped in the best interest of the customer, rolls and everything else. Some may be a bit more attractive, but I think they are all on par.

COMMISSIONER DRUMMOND: There was a point on the recent statement which was to the effect that superior wrapping or more attractive wrapping resulted in the purchase of the product wrapped in this more attractive package rather than the product in some less attractive package.

MR. ANGLIN: We think the good housewife is an awfully busy individual. Whether she steps into the independent store or the supermarket she spends just about 42 seconds at the bakery department. The baker, any baker, likes to have an attractive eye-appealing package with the result they are all attractive, and may very well tend to increase the overall use of the product.

MR. MAY: There are some instances where



packaging itself, as I say with the soda biscuits, is very good, but there is nothing we can do about it. The answer is psychological. We reach towards the attractive package. That is why a pretty girl does not have any trouble having dates. If you are going to take a girl out you might as well take a good looking girl out, so we reach for an attractive package.

COMMISSIONER DRUMMOND: The thing is are there more girls taken out altogether?

MR. MAY: I don't know.

COMMISSIONER DRUMMOND: I don't think I want to pursue that any further. I will leave that to my lady colleague. I hope you got the significance of that question, because what I was really driving at is to see if you can successfully contend that this attractive package can and does in fact result in increased consumption of the product. Then it seems to me to be consistent, you have to say -- somebody has to say, that this improvement in packaging of food in general has also resulted in increased consumption of foods in general.

MR. ANGLIN: It would.

COMMISSIONER DRUMMOND: Which would be equivalent to saying there is no such thing as a limitation in the human stomach, would it not?

MR. ANGLIN: No, we are talking about commercial bread as opposed to the one baked in our

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home. If you are packaging it attractively enough
it will help you get around the commercial bottle.

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MR. MAY: I think when you move into Toronto and Montreal that you will have some packager men come forward who probably will tell you about advertising and that we would all be living like the Eskimo if it were not for the benefits of advertising. It must be some trick that the advertising people have to raise our standards.

THE CHAIRMAN: Well, the thought here is that packaging and advertising and so on are competitive which simply means one competitor wins at the expense of another, but it does not necessarily follow that the total consumption of a product is thereby increased.

MR. MAY: I agree.

THE CHAIRMAN: And if your argument that this packaging does increase the sale of wheat and thereby helps the farmer ---

MR. MAY: Well, that is only in some instances. It is a qualified conclusion but I do think it happened with respect to soda biscuits.

COMMISSIONER COUVRETTE: Just a few questions: you referred to "unit". What is a unit exactly?

MR. MAY: What is this?

COMMISSIONER COUVRETTE: Well, units sold.

MR. MAY: One unit, half a dozen doughnuts or one cake.

COMMISSIONER COUVRETTE: On page 20, the



second paragraph, you mention profits and taxes and then you add these three items. Which would be the third one?

MR. MAY: I say first that the cost of fuel and electricity is there and they add up to 7 per cent -- 2 per cent profit, 2 per cent for taxes and 3 per cent for fuel and electricity.

COMMISSIONER WALTON: And the last tax mentioned would be your municipal tax?

MR. MAY: Yes.

COMMISSIONER KIDD: Is there much variation in the price of flour across the country?

MR. MAY: Generally speaking in a given market the price spread would be the same as between competitors. If you are talking about bread, that is pricing in general stores, the price would be uniform. If you are talking about bread delivered from door to door the price would be uniform from door to door.

COMMISSIONER KIDD: But your costs in various parts of Canada would be different, lower wages in the Maritimes and more freight?

MR. MAY: No, bread is not uniform in price across Canada but it is uniform in a given market. In Ottawa the price of bread would be uniform as in these various classes of sale. The question is very often asked, "Why is there no competition in the price of bread?" It just cannot be, and the economists know



that. This question was asked at the last price inquiry that we had in 1948 at the close of the war, and bakers agreed to that question as to why bread was going to be 4 cents when subsidies were removed, when some people on the Wartime Prices and Trade Board expressed the opinion that 3 cents was enough. In that inquiry Dr. Ken Taylor was on the stand and he was asked the direct question, "Was there competition in the baking business?" and he said there was. He was asked if he thought it should be three or four cents and he said he thought it should be three cents but the bakers thought it should be four. Then, he said this, and I am quoting:

"It is, of course, one of the paradoxes
"of the competitive system that if you
"have perfect competition you must have
"uniform prices in the sense that prices
"must settle down to a uniform level. It
"is an old economic doctrine that you can-
"not have two prices for the same goods at
"the same time in the same market if you
"have perfect competition."

COMMISSIONER KIDD: We could underline that last phrase.

MR. MAY: How do you mean?

COMMISSIONER KIDD: Well, the question is whether or not we have or have not got perfect competition.



MR. MAY: Well, I think you have. I do not think anything is perfect in this sense but I think you have a very vicious and severe competition in the bread business if bread goes up in price when costs are rising and when a man establishes himself in price leadership.

COMMISSIONER DRUMMOND: There was one other question I was going to ask: you mentioned there has been a very complete shift from the horse and wagon to the truck in delivery and you also emphasize that the cost of delivering has greatly increased due to the increase in the price of your vehicle and gas and oil, and so on. What I am wondering is, what your industry feels with respect to the relative costs of the horse and wagon today versus the truck now in use?

MR. ANGLIN: Speaking as a wholesaler I would need six horses to do what one truck and one man could do.

COMMISSIONER DRUMMOND: You say it is more economical to do it the present way?

MR. ANGLIN: Quite.

THE CHAIRMAN: Thank you very much, Mr. Anglin and Mr. May. We have appreciated your submission greatly. We will adjourn now for lunch.

---Whereupon the Commission adjourned.

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--- Upon resuming at 2.40 p.m.

SUBMISSION OF
NEW BRUNSWICK FEDERATION OF AGRICULTURE

Appearances:

Mr. Lloyd Sloat	President, Fruit and Poultry
Mr. Gus.A.Schousboe	Vice-President, Cream Producers, Livestock
Mr. Archie Strong	Director, Potato Industry
Mr. Allan Lockhart	Manager, New Brunswick Milk Producers Milk Trade

THE CHAIRMAN: The brief of the New Brunswick Federation of Agriculture will be marked at Exhibit No. 36.

EXHIBIT NO. 36: Brief submitted by the New Brunswick Federation of Agriculture.

THE CHAIRMAN: We will now receive the brief from the New Brunswick Federation of Agriculture to be presented by Mr. Lloyd Sloat, who is President of the Federation. He is supported by Mr. Schousboe, Vice-President, Mr. Strong, Director and representing the potato industry and Mr. Lockhart, manager of the New Brunswick Milk Producers.

We are very grateful to you, Mr. Sloat, for preparing this brief and coming forward with your colleagues to present it this afternoon. We would like to have you read it into the record now, if you would, and after that we may have some questions to ask you.

MR. SLOAT: Mr. Chairman of the Royal Commission, ladies and gentlemen.





On behalf of the farmers of New Brunswick which this delegation represents, we wish to express our appreciation to this Commission for the opportunity to focus attention on the spread between prices paid by consumers for various foodstuffs and those received by producers for these same goods.

We do not have the facilities to investigate in detail how this spread is distributed, but we do hope that the information gathered in our study may serve as a starting point in determining the cause of this spread between producer and consumer prices; also that it may help dispel the impression shared by too many town and city consumers that producers are responsible for the constant increase in the cost of living, particularly as regards food prices.

With this in view we have limited our study to agricultural commodities produced in our province, as we feel sure that other staples will be dealt with more adequately by the people directly concerned with their production and marketing.

Before going into any detail, we would like to draw attention to the following tables from the June, 1957 issue of the Economic Annalist. Table I - Index of retail food prices, farm prices, marketing margins of agricultural commodities 1949-1956 (1949 - 100).

Do you gentlemen want me to read this table?



THE CHAIRMAN: No. I think if you will just refer to the data that the table contains and point out anything to which you want to give emphasis, we will see it is recorded.

MR. SLOAT: Table I, Index of Retail Food Prices, Farm Prices, Marketing Margins of Agricultural Commodities, 1949-56. 1949 is 100.

<u>Year</u>	<u>Retail Food Prices</u>	<u>Farm Prices</u>	<u>Marketing Margins</u>	<u>Farm Share of retail Cost</u>
1950	101.5	101.0	103.2	98.9
1951	115.6	115.4	113.2	100.4
1952	118.2	118.6	127.1	94.6
1953	113.1	102.3	126.1	92.6
1954	110.3	97.2	126.2	90.9
1955	110.8	97.2	124.5	91.4
1956	112.1	96.8	129.7	88.0

In our next table the commodity table the farm share 1949-56:

TABLE II

Commodity	1949	1950	1951	1952	1953	1954	1955	1956	Change since 1949
Beef, blue brand	64	67	71	62	57	58	59	57	-7
Pork	62	61	61	55	56	53	50	51	-11
Chicken	56	58	58	56	54	55	58	51	-5
Eggs, A Large	82	78	80	74	77	73	76	74	-8
Fluid Milk	56	55	54	54	54	53	53	52	-4
Creamery Butter	76	75	79	77	77	78	77	77	+1
Cheese, Plain Process	35	32	35	27	27	28	27	37	+2
Potatoes	48	45	49	61	43	45	41	41	-7
Canned Tomatoes	20	21	18	17	21	22	21	18	-2
Canned Corn	15	15	14	15	18	17	17	17	+2
Canned Peas	17	18	19	19	20	20	21	20	+3



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Table I shows that while retail food prices have increased by 12.1 per cent since 1949, the farmer's share of the retail food prices declined 12 per cent and that farm prices in the same period declined 3.2 per cent. In the same period, marketing margins have increased 26.5 per cent.

Table II shows that since 1949, the farmer's share of the consumer's dollar has decreased in all commodities except butter, cheese, canned corn and canned peas.

It needs hardly be added that the farmer has not benefited from the increases in retail prices of foodstuffs which we have experienced in recent years, and particularly since 1951.

The above tables give Canadian averages and end with the year 1956, the last year for which final figures are available.

In an endeavour to discover how closely these approximated New Brunswick conditions, a survey was undertaken to determine existing price spreads in the major New Brunswick agricultural products. The information for this survey was gathered during the period March 10 to 29, 1958. Centers visited to obtain information on retail prices included Fredericton, Saint John, St. Stephen, Sussex and Moncton. Information on prices to the producers were based on prices paid by abattoirs for rail graded livestock; creameries, dairies, and cheese factories

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TABLE III

<u>Product</u>	<u>Farmer's Share of Retail Cost</u>	<u>Comments</u>
Pork	52.8%	Based on trimmed cuts fresh and cured
Beef	59.3%	Blue Brand, standard cuts
Milk	56.8%	Based on price of Quarts only
Fluid Cream	61.3%	Based on price of Quarts only
Butter	76.6%	One-pound package
Cheddar cheese	37.2%	All sizes of packages
Eggs	74.7%	Grade A large in cartons
Poultry, Fowl	57.9%	Oven ready A Grade
Poultry, Broilers	63.7%	Oven ready A Grade
Potatoes, Montreal	65.8%	Based on 75-lb. bag
Potatoes, Montreal	47.2%	Based on 15-lb. bag
Potatoes, Montreal	42.4%	Based on 10-lb. bag
Potatoes, Local	64.6%	Based on 75-lb. bag
Potatoes, Local	58.1%	Based on 15-lb. bag
Potatoes, Local	47.2%	Based on 10-lb. bag
Apples	44.4%	Based on 5-lb. bag
Cabbage	29.2%	Loose Pack
Carrots	30.5%	Packaged
Turnips	25.7%	Loose Pack
Strawberries	52.5%	1 Qt. box



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It will be noted that the share of the consumer's dollar received by the producer is quite close to that shown in Table II for the year 1956, showing a slight increase in nearly all staples with the possible exception of butter.

This, we feel, can be explained by the fact that the above survey was carried out in a period where retail prices in nearly all commodities were slightly above average and tending to rise. In such periods, it is generally known that the producer's share of the consumer's dollar tends to increase, whereas the reverse happens in the case of a falling market.

This statement is borne out by the following comparisons on shipments of New Brunswick potatoes to Montreal.

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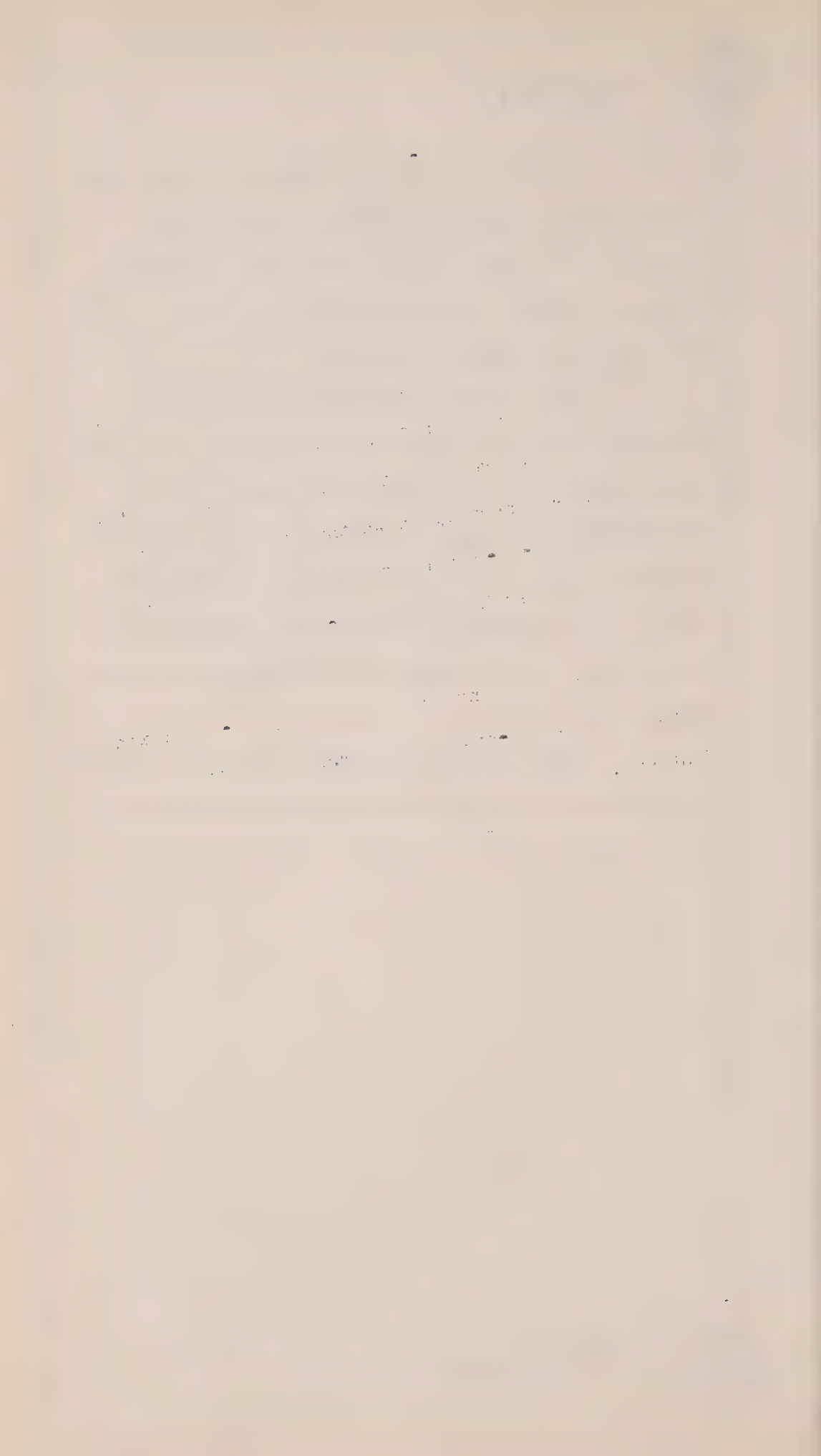


TABLE IV

Jan. 2, 1958	N.B. Dealers price to producer per barrel of 165 pounds	\$1.65
	Equivalent to per 50 pounds	.50
	Price Montreal wholesale to re- tail 50 lb. bag	.99
Jan. 2, 1958	Producers share of wholesale price	50 per cent
March 7, 1958	N. B. Dealers price to producer per barrel of 165 pounds	3.50
	Equivalent to per 50 pounds	1.06
	Price Montreal wholesale to re- tail 50-lb. bag	1.50
	Producers share of wholesale price	70 per cent

This table shows the producer's share of the Montreal wholesale price to be 50 per cent when the price to Montreal retailers was 2 cents per pound and 70 per cent when the price reached 3 cents per pound.

It would therefore, seem reasonable to assume that:

(a) Figures given in Table III are reasonably accurate;

(b) The producer share of the consumer's dollar is about the same in New Brunswick as the average for Canada.

While the purpose of this brief is primarily to draw attention to the spread in prices from producer to consumer, some conclusions became apparent in the course of the surveys undertaken and are summarized



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hereunder:

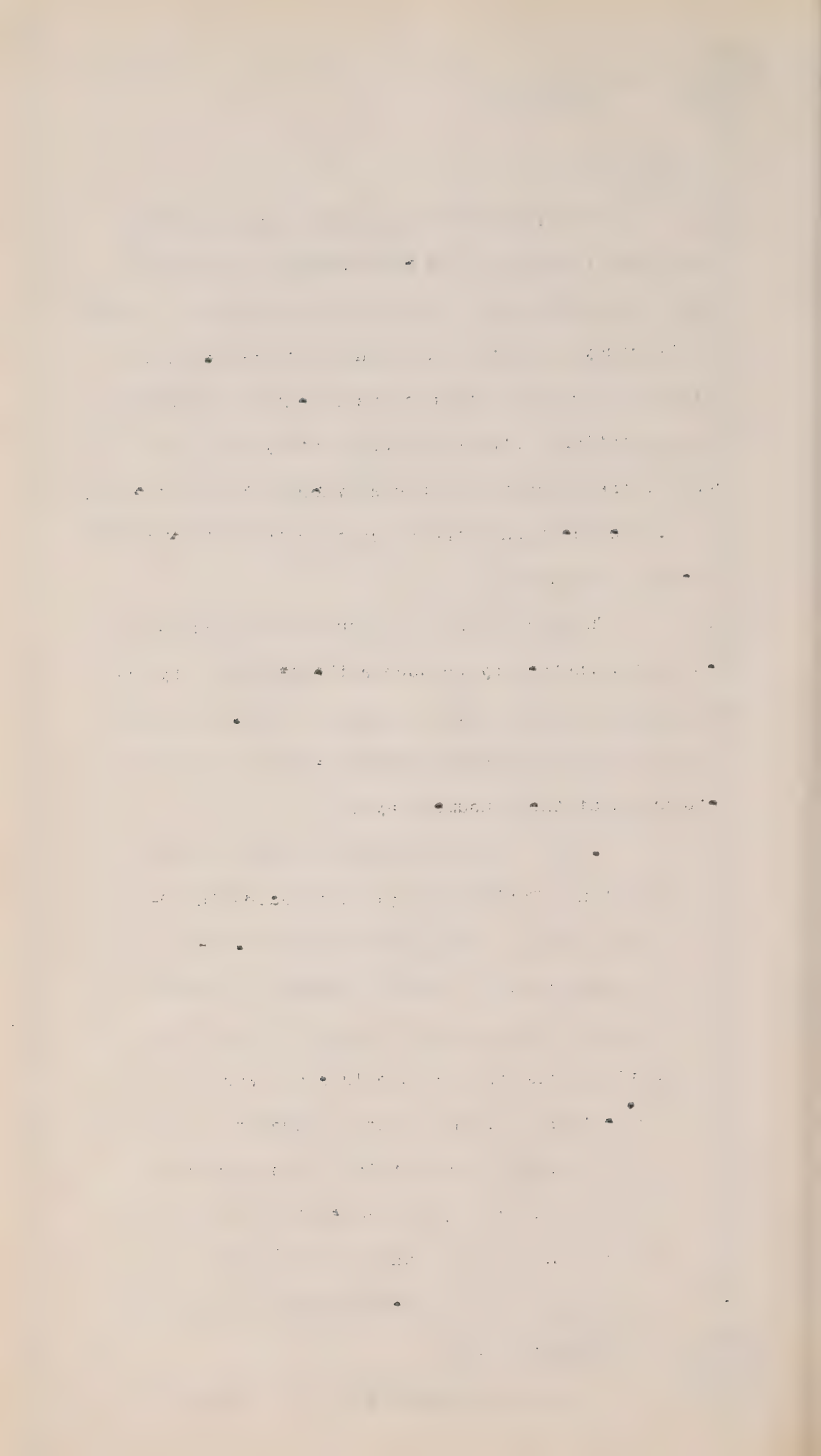
1. Transportation costs have a significant influence on the percentage returns to producers, and become serious in low price market cycles. Thus, in the study of potato marketing mentioned above, when the price to retailers was 2 cents per pound, transportation costs were approximately 48.5 per cent of the price to producers, whereas this decreased to 22.8 per cent when the price to retailers reached 3 cents per pound.

2. The packaging of agricultural products for retailing, whether by producers themselves or by the merchandising agencies, is another important cause for the widening spread between what the producer gets and what the consumer pays.

(a) The figures quoted above on potato marketing (Table IV) applied to sales in 50-pound bags. When potatoes were retailed in 10-pound bags, wholesale prices to retailer were 2.4 cents and 3.8 cents per pound respectively and the producer's share was 41.6 per cent and 55.7 per cent compared to 50 per cent and 70 per cent in 50-pound bags.

(b) Our survey indicates that the cost of packaging, storing and marketing of 5-pound poly bags of apples ranges from 20 to 25 cents per bag.

3. In the initial stages of pre-packaging,





premium prices were paid for high quality products. At the present time, retail prices of most agricultural products are established on the basis of the consumer package. In other words, local retail prices for most agricultural products, are the same whether these foods are pre-packaged or not.

In closing, may we again thank the Commission for this opportunity of presenting our views and express the hope that the information we have submitted may be of some value.

THE CHAIRMAN: I think Professor Drummond would like to ask you some questions.

MR. SLOAT: May I answer them?

COMMISSIONER DRUMMOND: Mr. Sloat, it seems to me from the wording in your brief that you are particularly concerned about the fact that the farmers' share of the consumers' dollar has been decreasing?

MR. SLOAT: That is true.

COMMISSIONER DRUMMOND: Do you see any real difference between the fact that the percentage of the consumers' dollar is decreasing and the fact that the width of the marketing spread is getting greater?

MR. SLOAT: No, I just don't get your point.

COMMISSIONER DRUMMOND: Well, the difference between the price that the producer gets and the

1. The first part of the paper discusses the importance of maintaining accurate records of all transactions. It is essential for the business to have a clear and concise record of all income and expenses. This will help in the preparation of the tax return and in the event of an audit.

2. The second part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and in the event of an audit.

3. The third part of the paper discusses the importance of maintaining accurate records of all income and expenses. This will help in the preparation of the tax return and in the event of an audit.

4. The fourth part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and in the event of an audit.

5. The fifth part of the paper discusses the importance of maintaining accurate records of all income and expenses. This will help in the preparation of the tax return and in the event of an audit.

6. The sixth part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and in the event of an audit.

7. The seventh part of the paper discusses the importance of maintaining accurate records of all income and expenses. This will help in the preparation of the tax return and in the event of an audit.

8. The eighth part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and in the event of an audit.

9. The ninth part of the paper discusses the importance of maintaining accurate records of all income and expenses. This will help in the preparation of the tax return and in the event of an audit.

10. The tenth part of the paper discusses the importance of maintaining accurate records of all assets and liabilities. This will help in the preparation of the balance sheet and in the event of an audit.



price that the consumer pays, that is the marketing spread. That is the thing with which this Commission is mainly concerned.

MR. SLOAT: Yes.

COMMISSIONER DRUMMOND: Now, it seems to me that your brief is not putting nearly so much emphasis on that fact, the fact of that difference between these two prices, as far as it is wide, not so much as you are on the fact that the farmer is getting a smaller share of the consumers' dollar. Do you think there is any tendency to think that these are one and the same thing?

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MR. SLOAT: Well the thing that we are attempting to point out is that this spread exists, and yet not in the farmer's favour has the spread existed.

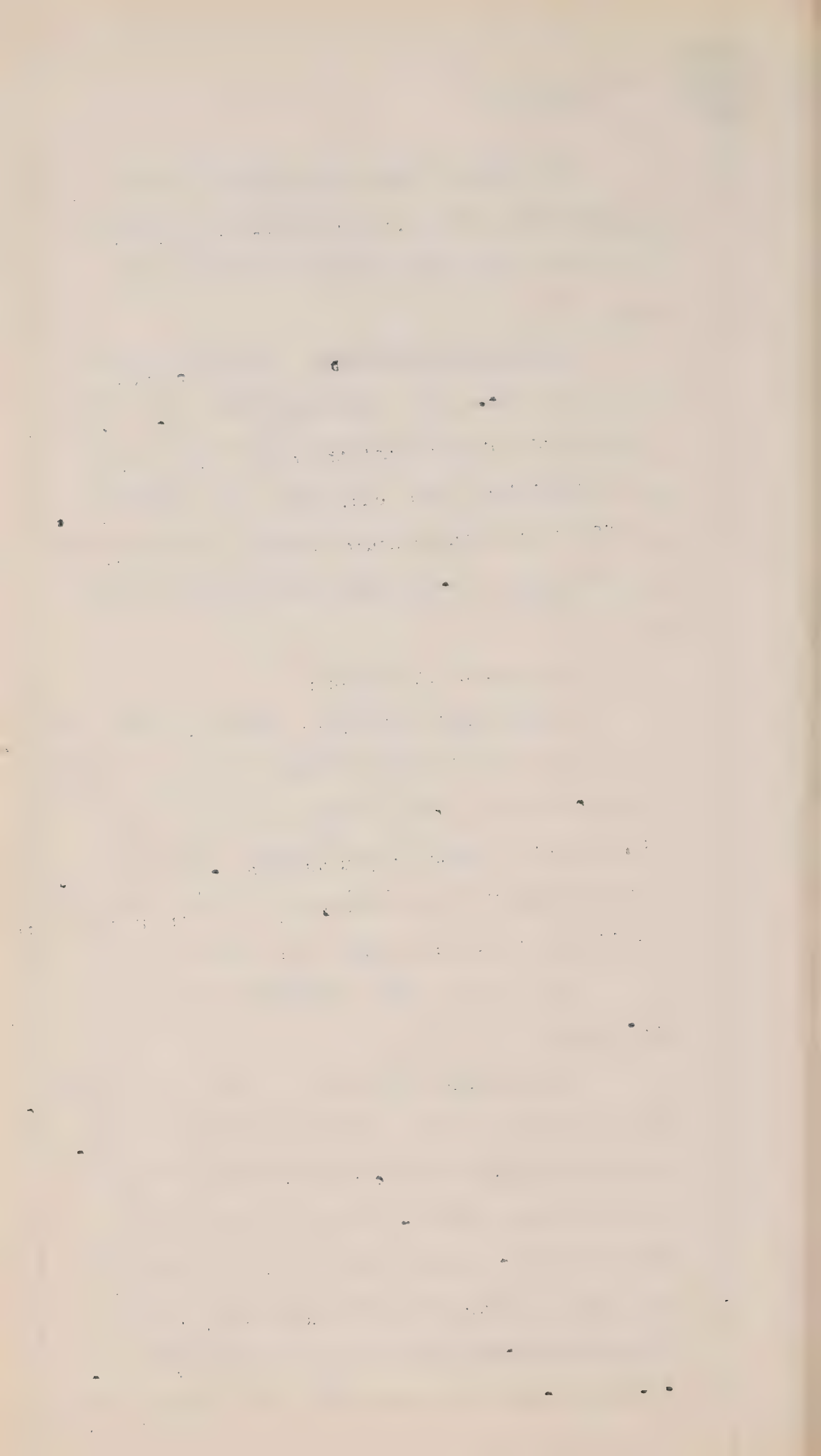
COMMISSIONER DRUMMOND: Perhaps I could make it clear this way. Supposing there was -- you do point out here that there has been a drop in the price at the farmer end. If there is no change in the price at the consumer end, then of course you would have an increase in the width of the spread wouldn't you?

MR. SLOAT: I suppose.

COMMISSIONER DRUMMOND: You would also have a smaller--the farmer would also get a smaller fraction of the final price, retail price. Can you think of any situation in which you as a farmer would get a smaller fraction of the retail price without the width of the spread at the same time being greater?

MR. SLOAT: Well I wouldn't know how to answer that.

COMMISSIONER DRUMMOND: I think that is the question I wanted to ask. Well now, there is one statement here, there are two statements I tried to reconcile in the middle of page 2, in that short paragraph there where you say: "It need hardly be added that the farmer has not benefitted from the increases in retail prices of food stuffs which we have experienced in recent years, and particularly





since 1951." Now that is one statement, and then turning over to page 3, down near the bottom, where you talk about the survey which you tried out, you say: "... in a period where retail prices in nearly all commodities were slightly above average and tending to rise. In such periods, it is generally known that the producer's share of the consumer's dollar tends to increase." Now that last statement seems to be a bit inconsistent with the one on page 2.

MR. SLOAT: Well possibly so.

COMMISSIONER DRUMMOND: You see, in one case you are suggesting that the farmer does not benefit when there is a rise in retail prices, and the other case --

MR. SLOAT: I don't mean that. That is not what is meant there. "It need hardly be added that the farmer has not benefitted from the increases in retail prices of food stuffs which we have experienced in recent years, and particularly since 1951."

Well, I would point out this one thing. When milk went up to the consumer 2 cents a quart, the producer received two-thirds of a cent. The spread became greater, and that is the way that we find most of the foods and commodities.

THE CHAIRMAN: Every time that the price -- the retail price goes up --

MR. SLOAT: It doesn't go up in accordance with the producer.

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COMMISSIONER DRUMMOND: That is the point you see.

MR. SLOAT: But while we are here: On a rising market, you see the table shows that the producer there--the Montreal price amounted to 50 when the price to Montreal retailers was two cents per pound, and 70 cents when the price was 3 cents a pound.

COMMISSIONER DRUMMOND: But am I correct in concluding here--it seemed to me, you see, on your first page you are suggesting that the farmer does not benefit when the retail price goes up. You mentioned the case of milk prices. You do not benefit as much as the spread, but over on the next page --

MR. SLOAT: Excuse me, this example of potatoes is in a market that is fluctuating. You see, the farmer did benefit when the price went up to say a reasonable price he should be getting. These prices for potatoes at 3 cents a pound -- well we did benefit there. There is no mistake about that. I think our brief explains that here some place.

COMMISSIONER DRUMMOND: I just wanted to get clear as to just what you meant there. You see it just seemed to me in one place you were suggesting the farmer did not gain when the price went up, and the other case that he was gaining.

THE CHAIRMAN: Do the potatoes normally vary as greatly between January and March of the

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the year as in this case?

MR. SLOAT: It did this year.

THE CHAIRMAN: Does this usually happen at this time?

MR. SLOAT: No.

COMMISSIONER DRUMMOND: A very interesting point is brought out here in your table No. III on page 3. It says the effect of selling products in smaller containers--you point out here that when you sell your potatoes in 75-pound bags the farmer's share is higher than when you are selling them in 15 or 10-pound bags.

MR. SLOAT: Yes.

COMMISSIONER DRUMMOND: I suppose your Table IV, is that illustrated in the bottom of page 4?

MR. SLOAT: Well the illustration here on apples, our survey indicated that the cost of packaging, storing, marketing of 5,000 poly bags of apples ranged from 20 to 25 cents.

COMMISSIONER DRUMMOND: In the paragraph just before this, it seems to be pretty well explained.

MR. SLOAT: Yes, it is.

COMMISSIONER DRUMMOND: "When potatoes were retailed in 10-pound bags, wholesale prices to retailers were 2.4 cents, and 3.8 cents per pound respectively, and the producer's share was 41.6 per cent, and 55.7 per cent compared to 50 per cent and 70 per cent in 50-pound bags." Is there anything



you would like to add as to why the farmer's share gets smaller when the size of the container gets smaller?

MR. SLOAT: Well the cost of packing.

MR. STRONG: Maybe I can answer that question. You see here the potatoes cost in the 75 and 50-pound bags, are delivered to the producer and invariably they are always put into probably as low as 5-pound bags. Well, that doesn't figure at our end of it. There are very few consumers buy 75 or 50-pound bags, so that is why that shows because we don't have the price of those bags at those 10-pound bag costs. On a car we will say of 50-pound bags from when it leaves here until it gets there will be \$319, but if we put that up in 10-pound bags it would be \$425.

COMMISSIONER DRUMMOND: Somebody has to put that up in 10-pound bags?

MR. STRONG: Sure.

COMMISSIONER DRUMMOND: And the difference between the two figures you have just quoted will be the extra spread?

MR. STRONG: That is right.

COMMISSIONER DRUMMOND: And it is because of that extra spread, that extra service of putting it up in smaller containers that you as a producer get a smaller fraction of the retail price?

MR. STRONG: That is right. That is why

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that table shows that, because you have that extra \$106 there that is in services or value of whatever type it is.

COMMISSIONER DRUMMOND: On the (b) part there where you speak about the cost of packaging, storing and marketing of 5-pound poly bags of apples ranging from 20 to 25 cents per bag, it struck me that the cost of doing those things, I don't know too much about this particular problem, but I wondered if you could by any means sort of give us the breakdown, if you combined the cost of packaging, storing and marketing, how much of that 20 to 25 cents a pound would be due to packaging as distinct from storing, and distinct from marketing? Any idea?

MR. STRONG: We don't have the figures on that right off. There is nobody here. We had a man from the Department we thought was going to show up, that might tell us that, but he hasn't come in.

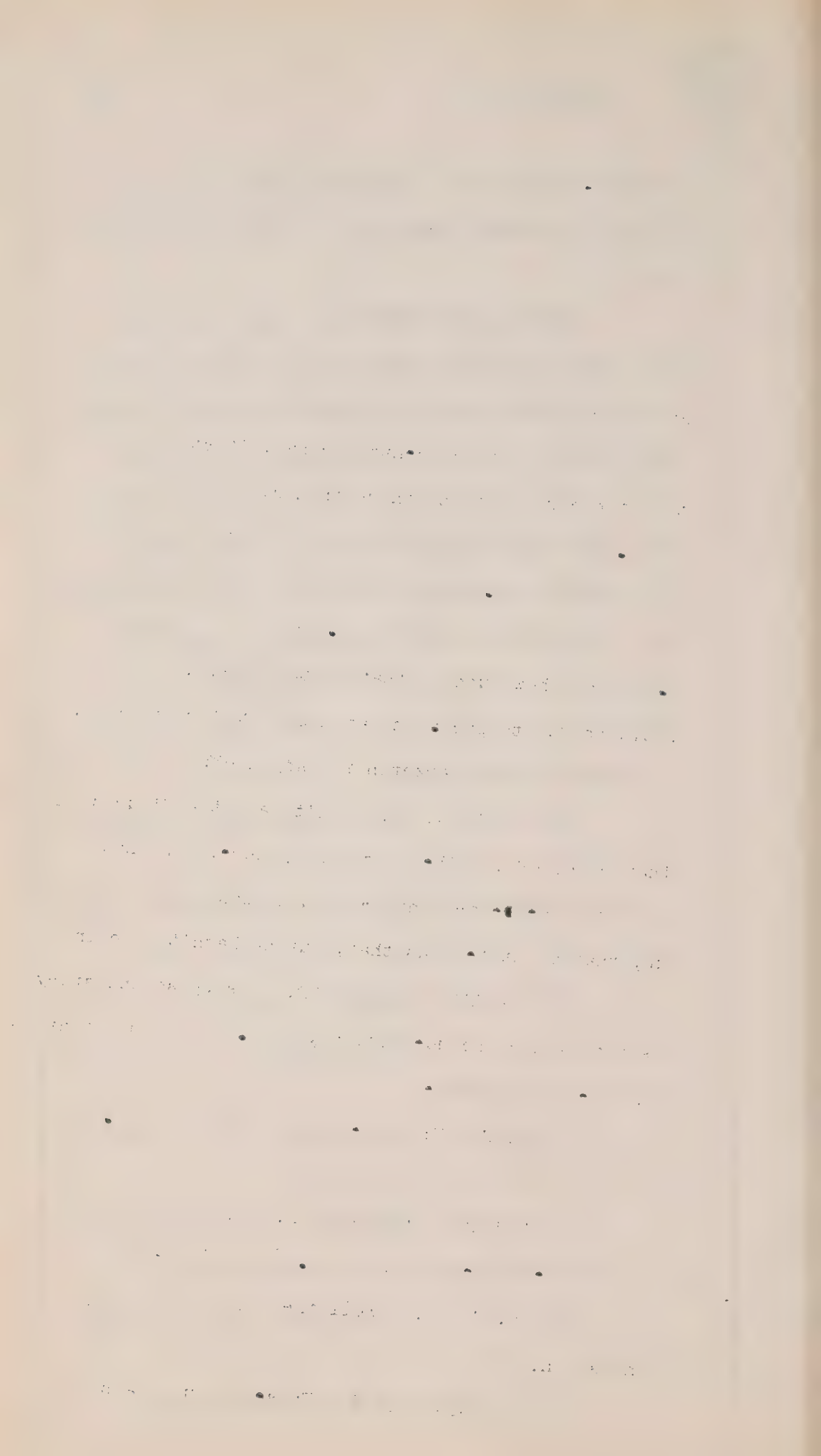
COMMISSIONER DRUMMOND: I suppose the story is that would include ordinary storage or would that include cold storage?

MR. SLOAT: We have some cold storage, yes.

COMMISSIONER DRUMMOND: And what all would be included under the word "marketing" there?

MR. SLOAT: Well the sale of it, shipping and so on.

MR. E.M. TAYLOR: Those 5-pound bags are





re-packed in plastic containers.

COMMISSIONER DRUMMOND: They are all re-packed?

MR. TAYLOR: In plastic containers. They don't go to market in 5-pound bags.

COMMISSIONER DRUMMOND: The cost of doing that would be partly responsible?

MR. TAYLOR: That is right.

COMMISSIONER DRUMMOND: In the middle of page 4, among your summary conclusions here, you stress the significance of transportation costs. Consequently, if the price goes down the percentage that you get of the retail price goes down, is that right?

MR. STRONG: Wouldn't that be right?

MR. SLOAT: That would be right. Forty-five cents a hundred for potatoes whether they are selling at a dollar a bag or at \$5 a bag.

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COMMISSIONER DRUMMOND: The point we are trying to stress is the rigidity or fixity of the transportation costs in the whole marketing program. Are there any other costs that you feel are equally fixed or rigid as well as transportation?

MR. SLOAT: Well, labour is fixed.

MR. STRONG: New containers, they do not fluctuate but very little from year to year.

COMMISSIONER DRUMMOND: What about your commission rates?

MR. STRONG: They are the same year to year, going up every year more.

COMMISSIONER DRUMMOND: What we are trying to get here is as complete as possible an account of the changing marketing costs, various items that enter into this whole marketing undertaking. I was wondering if you knew any other things that have been changing, going up in price so as to account for the increase.

MR. SLOAT: Well, labour, there is a great deal of hand labour comes into the picture, and that is one thing. Although the price of storing and marketing and packaging is another.

MR. STRONG: What concerns us potato growers more or less is something that probably you will find out when you go to Montreal or some place like that, because we do not know. I have the Government Market Report here that I get and here is one dated

1. The first part of the paper discusses the importance of maintaining accurate records of all transactions. It emphasizes that proper record-keeping is essential for the success of any business or organization. The author notes that without reliable records, it is difficult to track income and expenses, which can lead to financial mismanagement.

2. The second part of the paper focuses on the importance of regular audits. The author argues that audits are a critical component of any financial system, as they help to identify errors and prevent fraud. It is recommended that businesses conduct internal audits regularly and also consider hiring external auditors to provide an objective assessment of their financial health.

3. The third part of the paper discusses the importance of budgeting and financial planning. The author suggests that businesses should create a detailed budget at the beginning of each year and stick to it as closely as possible. This helps to ensure that the business is operating within its means and allows for better financial control. Additionally, the author emphasizes the importance of having a clear financial plan in place, which outlines the business's goals and the strategies for achieving them.



the 17th; 50-pound bags are quoted at \$1.45 to \$1.60, that is the price from the wholesaler to the retailer. On that same day I sold potatoes for \$1.32, they quote them at \$1.45 to take the lower figure. The ten's are quoted at 35 to 37, and they were paying us 30 for them. You go down to last Thursday's report and they are still quoting at 40 to 45 in Montreal, and I sold that day for \$1.05. There is no difference in the Government's statistics here from the wholesale to the retail from the 17th to the 24th, and then you come back to the 23rd -- I have these wrong -- the 23rd I sold for \$1.05 cents, and the 24th I sold for \$1, and they are still quoting the same, the 10's are still quoted 34 to 46, and all you can get on the Montreal market is 43. There is an awful spread, and that is right in today's editions.

COMMISSIONER DRUMMOND: I will have to get that. I have just one other question, and it is a very general question: In view of the fact that you have stressed in here the fact that the farmer has been getting a smaller share of the consumer dollar, as we call it, what would you think of the suggestion or the claim that the farmer is interested not nearly so much in the width of the spread or in the share of the consumer's dollar which he gets as he is in the amount which he is able to sell, and therefore the total number of dollars he

1. The first part of the paper is devoted to a general discussion of the problem.

2. In the second part, we shall consider the case of a single particle.

3. The third part is devoted to the case of a system of particles.

4. In the fourth part, we shall discuss the results of our calculations.

5. The fifth part is devoted to a discussion of the experimental results.

6. In the sixth part, we shall consider the case of a system of particles.

7. The seventh part is devoted to a discussion of the results of our calculations.

8. In the eighth part, we shall consider the case of a system of particles.

9. The ninth part is devoted to a discussion of the results of our calculations.



is able to get?

MR. SLOAT: In other words, you are just saying that the man who is producing the volume is in a better position than a man who works in a smaller way?

COMMISSIONER DRUMMOND: Yes, put it this way: Supposing you have to sell at a lower price, if by doing certain things which result in widening the spread you are thereby able to sell more bags of potatoes or more units of whatever product you like, even if you have to sell them at a lower percentage of the retail price, if you were able to sell more of them, your total receipts would thereby be increased. Some people make the claim that that is really the thing that we should be interested in more than we should be interested in the actual width of the spread, and I just wanted your reaction to that.

MR. SLOAT: I see your point.

MR. STRONG: But if you are going to sell more, is it not going to cost you more to produce that?

COMMISSIONER DRUMMOND: On a unit basis, you mean?

MR. STRONG: Yes, it would be like the Jewish fellow that said he sold at less than cost, but he sold so much he made it pay.

COMMISSIONER DRUMMOND: I suppose you would have to assume that whatever amount you sold you

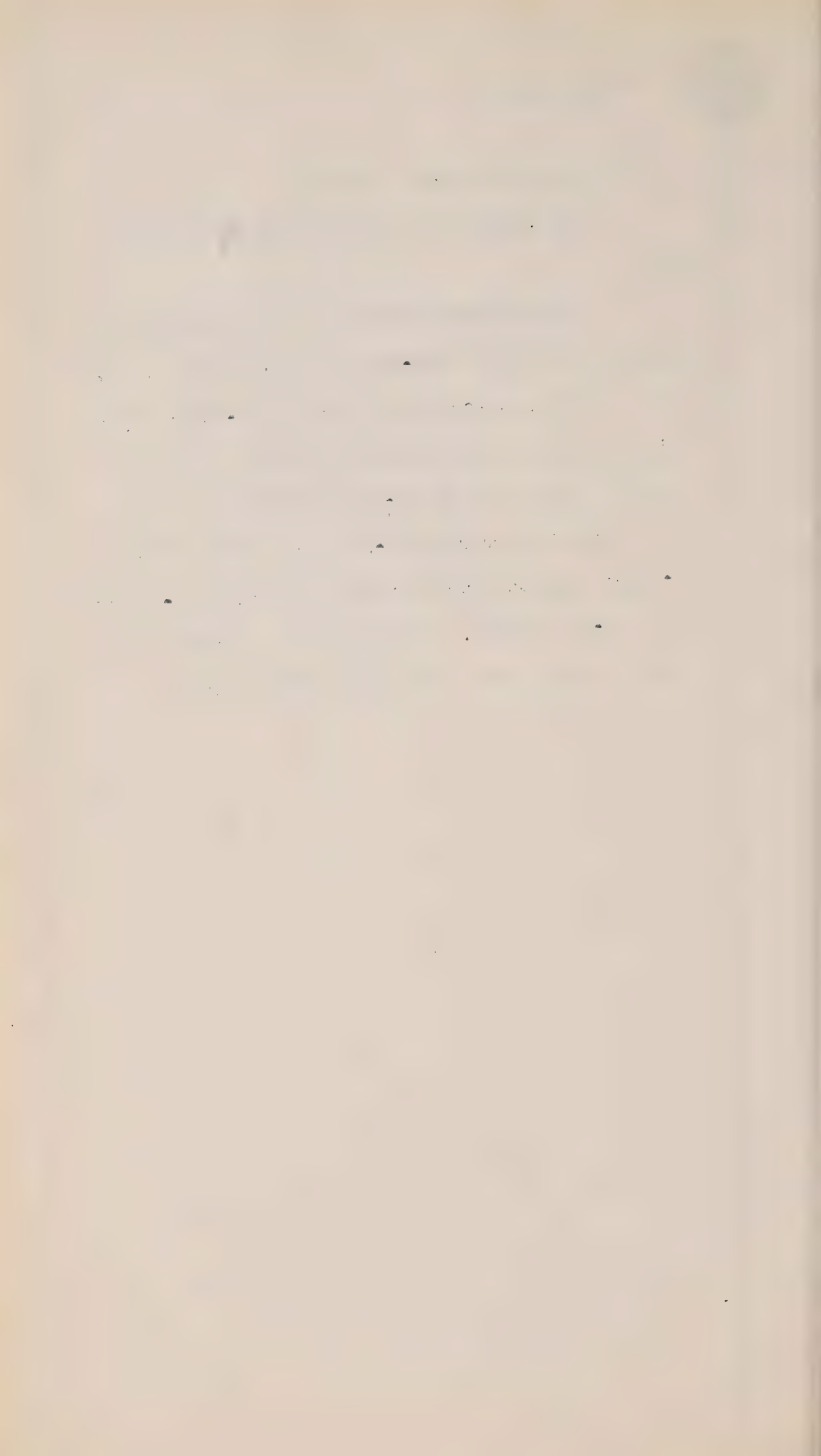


would be making at least a little?

MR. STRONG: Yes, or you would be going under.

COMMISSIONER DRUMMOND: If you made that assumption you will make some profit margin on every unit, and if you were able to sell more units, your total profit would naturally increase. What I am trying to get at is the general reaction to this claim that farmers sometimes put too much stress on the fact that they are getting too small a percentage of the retail price. I am not saying whether it is right or wrong, but I just want your reaction.

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MR. SLOAT: I can see your point all right. Just like the fellow says, if you are only raising a dozen pigs you are not making much money. If you are raising them by the hundred why you can make a dollar. Now if anybody listens to the television "Country Calender", we have here in the Maritimes, yesterday the poultrymen were on. A fellow with ten or fifteen thousand hens, if they make a quarter of a cent or a fraction of a cent it is not too bad.

COMMISSIONER DRUMMOND: Well, just let me change this slightly.

MR. SLOAT: The fellow who has only got one hundred hens trying to live on them, well, he is out, that is all.

COMMISSIONER DRUMMOND: Let me put this in a very concrete way and discuss the general points of it. You mentioned here the fact that you are selling potatoes more and more in ten-pound bags rather than 75-pound bags. Do you, as potato growers, feel that selling them in the smaller containers has resulted in the sale of more potatoes?

MR. SLOAT: Mr. Strong will have to answer that. I don't grow potatoes.

MR. STRONG: I must say as far as New Brunswick is concerned, yes, simply because our competitors, Prince Edward Island, do not like to put them in ten-pound bags. They would sooner sell 75, so we are almost forced to put our potatoes



in tens because they put them in the 75-pound bags.

COMMISSIONER DRUMMOND: You do not undertake any special advertising here in connection with the sale of your potatoes, do you?

MR. STRONG: No, but that is what we are trying to do.

COMMISSIONER DRUMMOND: Do you really feel that would result in an expansion of sales?

MR. STRONG: I believe so.

COMMISSIONER DRUMMOND: The cost of the advertising would add to the spread, would it not?

MR. STRONG: No, I can't feel that way. Probably I am out of line. We are undertaking now to start an organization whereby we tax the farmers so much a barrel for promotional and advertising purposes. We are in the initial stages of setting up something about that.

COMMISSIONER DRUMMOND: The whole purpose of that would be ---

MR. STRONG: Promotion and advertising.

COMMISSIONER DRUMMOND: Selling more products?

MR. STRONG: Yes.

COMMISSIONER DRUMMOND: You feel that whatever that costs, whether it is out of your pocket or someone else's pocket, it will be more than repaid through extra sales?

MR. STRONG: Well, we hope so.



COMMISSIONER DRUMMOND: That is the whole idea?

MR. STRONG: That is the idea.

COMMISSIONER DRUMMOND: You see, that is a concrete application on this general thought I mentioned a minute ago. I notice here that you have Mr. Lockhart representing your milk producers. I wondered if you would have any comment in respect to the existing width of spread in connection with the marketing of either whole milk or any dairy products in the province?

MR. LOCKHART: Mr. Chairman, I consulted with the president of the New Brunswick Milk Producers before leaving for this meeting today. He was unable to attend. He sent his regrets that he was not able to do so, but actually he said that as a producer he felt that the producer price was satisfactory at the present time; that is the provincial price in effect here in this province.

There were some minor details in connection with the milk business that he had in mind, but apparently they would not be in order for the Commission here such as this, so actually there were no extreme cases of protest in the way of price spreads and so on, producer prices, that he knew of at that time.

COMMISSIONER DRUMMOND: You do not have any suggestions as to whether it might be possible to



narrow the spreads in any way or do you think they are reasonably satisfactory as they are?

MR. LOCKHART: Well, in our experience, and meeting with the Dairy Products Commission -- I think you are familiar with the set-up -- provincial milk board and so on, the milk control boards, we have been fairly well convinced by the commission and the dealers themselves that in order to make a living wage so they can keep their business solvent they must have their present marketing mark-up on the product.

For that reason there has been a feeling -- and the president of the Federation touched on it a while ago -- that has drawn some protest from producers in the past. I do not believe the consumers are conscious of it but the fact is, when milk prices do increase the retailer's share of the dollar -- the consumer's dollar -- actually increases more than the producer's.

We have this situation, or we have had in this province, therefore we are not protesting this point -- in that actually our dealers were drawing off a less spread per unit, per bottle of milk delivered, than almost any other part of Canada. We were convinced of that fact so we have not protested and we are not protesting it at this point.

COMMISSIONER DRUMMOND: In connection with prices for whole milk, I have forgotten whether



you still fix the price at the retail end as well as at the producer's end?

MR. LOCKHART: In effect the Dairy Products Commission in this province sets a floor price. The dealer is at liberty, or the retailer is at liberty, to charge as much or the dealer as much, but he cannot charge any less. That is the effect of this price.

COMMISSIONER DRUMMOND: You do have several regional divisions now within the province, do you?

MR. LOCKHART: Each market -- we call them markets for convenience -- that is this city, Saint John, Moncton and so forth, is treated as a market by the Dairy Products Commission and orders and regulations are issued to apply to that particular market.

COMMISSIONER DRUMMOND: Yes.

MR. LOCKHART: The price does differ somewhat to the producer and to the consumer. Approximately from a cent point of view it does vary.

COMMISSIONER DRUMMOND: Do you have any differentiation in price between prices charged at the store for milk and the price charged at the door?

MR. LOCKHART: Yes, there is a difference. One is bulk delivery or a wholesale outlet. The other is retail. There is a difference. I would rather someone here in the back supplied the exact figures.



COMMISSIONER DRUMMOND: We can get that.

MR. LOCKHART: Yes. There is a margin of profit, or at least a reduction in price, for say the storekeeper or institution who is ordering in bulk quantities of bottled milk.

COMMISSIONER DRUMMOND: There has not been any real move towards selling in larger quantities or large containers down here?

MR. LOCKHART: No indication of it yet, no, or no call for it.

COMMISSIONER DRUMMOND: Is milk delivered five days a week?

MR. LOCKHART: Yes.

COMMISSIONER DRUMMOND: That is all, Mr. Chairman.

COMMISSIONER WALTON: I was just wondering if I could have clarification on No. 3, page 4, where you say:

"In the initial stages of pre-packaging,
"premium prices were paid for high
"quality products. At the present .
"time retail prices of agricultural pro-
"ducts are established on the basis of
"the consumer package. In other words,
"local retail prices for most agricul-
"tural products are the same whether the
"foods are pre-packaged or not."

It was indicated, I think, that packaging does add to



the cost of the retail unit and are you telling me that locally where you have a bushel of carrots as compared to the polythene bag, the same weight, it doesn't make any difference whether it is pre-packaged?

MR. SLOAT: It has been working out that way of late. The retailer may have a bushel of carrots in bulk. He just puts them in a paper bag and realizes as much as if they were packaged. There seems to be more spread in the bulk than there was in the packaged stuff.

COMMISSIONER WALTON: I am wondering what his turnover is?

MR. SLOAT: I don't know.

COMMISSIONER WALTON: It loses a little eye appeal, does it not? When you said "initial" do you mean that it was bulk then but the package is coming in now?

MR. SLOAT: Yes.

COMMISSIONER WALTON: You do not have a premium for prepackaging?

MR. SLOAT: Possibly, yes; that is what we had in mind.



COMMISSIONER MacKICHAN: Just one or two questions. These packages that are smaller, the packages of these 50 to 75 pounds are packaged here locally, or at the shipping point, are they?

MR. SLOAT: Sure.

COMMISSIONER MacKICHAN: The potatoes are brought into the grading station. Where does this barrell enter into it? Is it the container that the potatoes are brought to the grading station in, or is that another?

MR. SLOAT: Which barrell do you mean?

COMMISSIONER MacKICHAN: You are quoting here the 165-barrell -- the price at the first instance.

MR. STRONG: That would be what we call the local dealers I believe?

MR. MacKICHAN: Yes, New Brunswick dealers.

MR. STRONG: Yes, that would be dumped into the racks. They bring them in just as they grow them, the little ones, big ones, everything, and dump them into the grader.

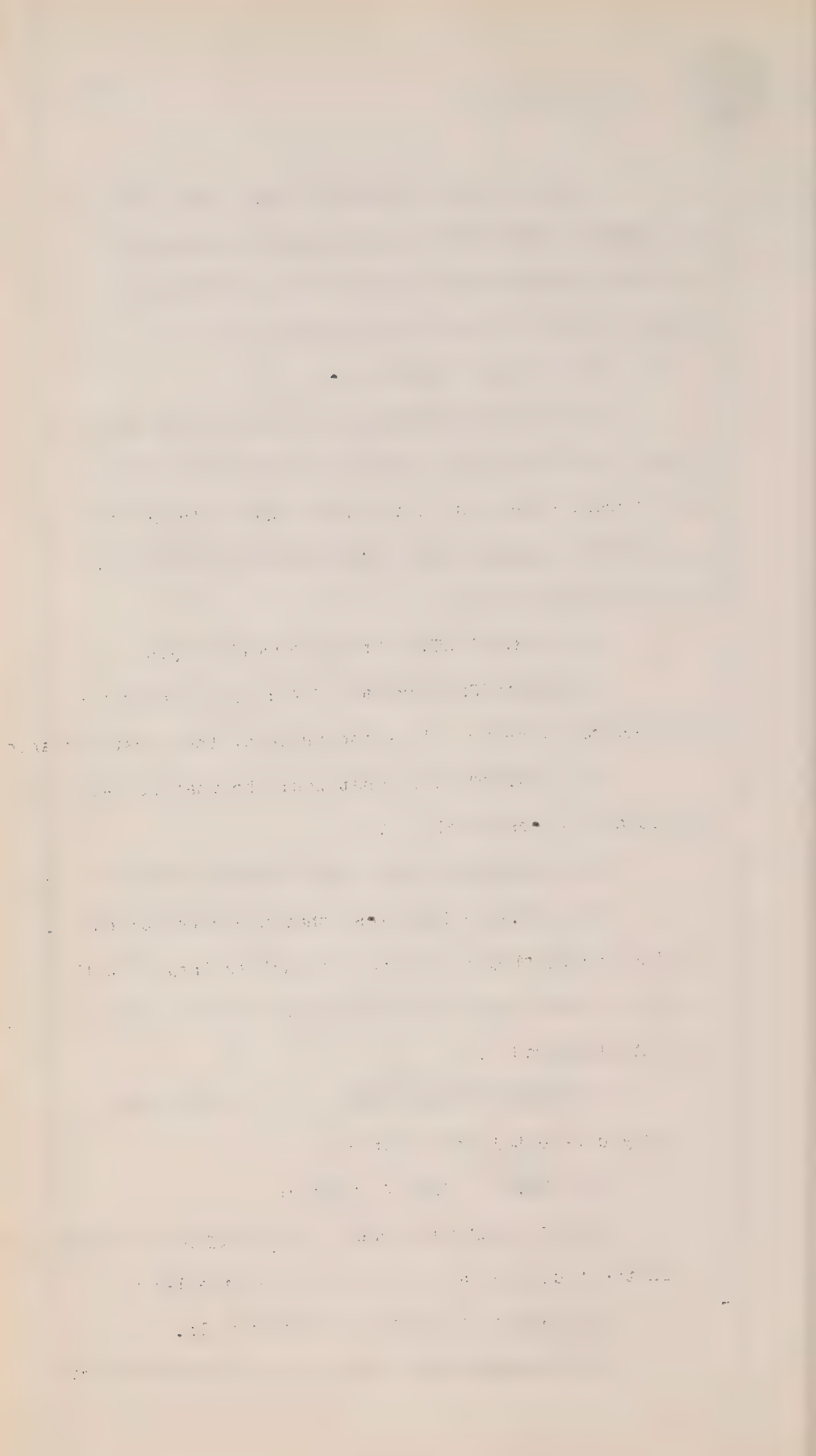
COMMISSIONER MacKICHAN: Run of the mine if you were talking about coal.

MR. SLOAT: That is right.

COMMISSIONER MacKICHAN: But are they brought in the truck or wagon or bulk or is it a barre~~l~~?

MR. SLOAT: Brought in barrels.

COMMISSIONER MacKICHAN: Wooden barrels?





MR. SLOAT: Yes.

COMMISSIONER MacKICHAN: Brought in wooden barrels, and then they are graded at the station, and packed into the tins in some cases?

MR. SLOAT: Yes.

COMMISSIONER MacKICHAN: And size.

MR. SLOAT: Very few calls in the Dominion of Canada for 15-pound bags.

COMMISSIONER MacKICHAN: We have some in Halifax.

MR. SLOAT: Well you get some in Quebec and Ontario, but very odd orders for 15-pound bags. They wouldn't use 10,000 in a year.

COMMISSIONER DRUMMOND: What about the prices of the bags, whether they are 10 or 50 or 75?

MR. SLOAT: The best cost; in fact the last while was a little cheaper.

COMMISSIONER DRUMMOND: That is true of the last several years?

MR. SLOAT: No, it has not varied for the last four or five years, very very little one way or the other.

COMMISSIONER WALTON: That is for the kraft type?

MR. SLOAT: Yes, that is right. The poly bags --

COMMISSIONER MacKICHAN: They have reduced somewhat in price?



MR. SLOAT: They are down somewhat. They are really cheaper than the kraft bags today. They don't use those-only in washed potatoes-because the moisture gets on them, and they make an awful looking mess afterthey are in the stores for a few days.

COMMISSIONER MacKICHAN: Even if the bag is perforated?

MR. SLOAT: That is right. They use them for washed potatoes only.

COMMISSIONER MacKICHAN: You mentioned the difference in the price between 50 and 10 there.

MR. SLOAT: That was a matter of freight. The freight is the same on the carload.

COMMISSIONER MacKICHAN: Regardless of what container they are in?

MR. SLOAT: That is right.

COMMISSIONER MacKICHAN: It is just a matter of the package. On milk what has been your method of control here?

MR. LOCKHART: It is the Dairy Products Commission, appointed under the authority of the Dairy Products Act, the New Brunswick Dairy Products Act. There are three Commissioners. They set an order, regulate the retail price of milk in a specific area, or market, and the producer price, as I mentioned before, they are a floor price in effect. If a farmer, it would be an extreme case and a ridiculous one, where a farmer would want



\$10 for 100 pounds of milk. The regulations do not prevent that in any way, but they do prevent the purchaser being paid less than the price set by the Commission as well as the retailer, retailing bottled milk below the Commission set price.

COMMISSIONER MacKICHAN: On that matter of pricing, we heard in British Columbia in connection with something else, that the method of pricing was all the traffic would stand. Would that have any application here?

MR. LOCKHART: I couldn't answer that one. That is a matter of Government Commission policy, and I would rather not deal with that one. I don't know just what their guide really is.

COMMISSIONER MacKICHAN: How does a board take over a certain area? Is there a vote of the producers?

MR. LOCKHART: That is the routine way of it being done, yes. A vote is taken, and the producers and dealers in that particular area, specific area, have agreed to ask the Commission to arbitrate or whatever the case may be in that area, and then the Commission does take over, and by authority orders issued by the Commission makes rules and regulations in that particular area.

COMMISSIONER MacKICHAN: Is there a vote taken of the producers?

MR. LOCKHART: Yes.

1. The first part of the report is devoted to a general

description of the object of the study.

2. The second part is devoted to a description of the

method of the study.

3. The third part is devoted to a description of the

results of the study.

4. The fourth part is devoted to a description of the

conclusions of the study.

5. The fifth part is devoted to a description of the

literature cited in the report.

6. The sixth part is devoted to a description of the

appendices.

7. The seventh part is devoted to a description of the

conclusions of the study.

8. The eighth part is devoted to a description of the

conclusions of the study.

9. The ninth part is devoted to a description of the

conclusions of the study.

10. The tenth part is devoted to a description of the



COMMISSIONER MacKICHAN: They would register first?

MR. LOCKHART: I believe it calls for, I am just quoting from memory, and would not guarantee this to be correct, I believe two-thirds vote of the producers asking that the Commission set up a Board on that particular area.

COMMISSIONER MacKICHAN: We ran into one or two Western provinces where all that is required is 51 per cent, but I think two-thirds is more general at least in the East, and some of the others too.

THE CHAIRMAN: These are local milk marketing boards?

MR. LOCKHART: That is true. No, there is one over-ruling--or not "over-ruling"--that is possibly the wrong interpretation put on the word -- there is one Dairy Products Commission for the province of New Brunswick which makes orders and regulations applying to either one area or all the areas collectively, whichever the case may be.

THE CHAIRMAN: In a sense you have a local option, though under the Board as to whether this particular market is organized or not, is that right?

MR. LOCKHART: Well to deal with areas specifically, there was a case where there was a general price increase across the board, and one or two areas the dealers did not see eye to eye with the Commission on that particular price increase,



and they stayed on the old price, but by unanimous agreement with their producers they were able to hold the old price.

It was optional. They could have had the new price, but apparently they felt that the price increase would effect consumption. That is, there would be an automatic drop and they were willing to take less just to break even in order to retain the customer, or at least that is the way it appeared to be.

COMMISSIONER MacKICHAN: Is there an opportunity for repealing or ceasing to be governed in any particular area by voting against or for some other system?

MR. LOCKHART: Yes.

COMMISSIONER MacKICHAN: There is?

MR. LOCKHART: The producers are given that out where if they so wish they can vote the Commission out just as they voted it in, by the same majority and the same procedure.

COMMISSIONER MacKICHAN: It seems a good democratic principle.

COMMISSIONER WALTON: Have you many processing plants for powdered milk in this province?

MR. LOCKHART: No, that is a very new industry in this province. There have been some experiments carried on, and there is one plant that is processing a fair amount of milk, but generally we are not a processing province here, as far as milk is concerned.



It is a very minor output.

COMMISSIONER MacKICHAN: No military camp?

MR. LOCKHART: Yes.

COMMISSIONER MacKICHAN: They consume quite a bit of milk.

MR. LOCKHART: The nearest one to Fredericton, Gagetown--the new one--is more interested in whole milk as such rather than the powdered, apparently. We are led to believe that at least. I can't make that statement for them of course, or for the Association.

THE CHAIRMAN: What member organizations do you have in the Federation?

MR. SLOAT: We have the Milk Producers Cream Board, the Hog Marketing Board, Poultry producers, commodity groups, fruit growers agreed to join, voted at the last annual meeting to join the Federation. We have our district federations of course. We have our province zoned in districts too. Nine different zones draw a directive from each zone.



COMMISSIONER DRUMMOND: Speaking of poultry, Mr. Sloat, could you give us some general idea of the existing set-up for marketing eggs in the province?

MR. SLOAT: Well, I don't believe we have more than one egg grading station. There is one large one here in Fredericton, and a great many of the poultry men grade their own.

COMMISSIONER DRUMMOND: Is that increasing?

MR. SLOAT: No, I would not say it was.

COMMISSIONER DRUMMOND: I suppose you have the general trend of poultry producers here?

MR. SLOAT: Yes, I think so.

COMMISSIONER DRUMMOND: So there will be a general increase of the direct marketing over to the retail stores?

MR. SLOAT: Well, I could not say there would be an increase in direct marketing. The size of it is-- the small fellow if he is going to live has to deal direct.

COMMISSIONER DRUMMOND: You mentioned the hog marketing board. Just how does that operate?

MR. SLOAT: I don't have hogs; I do not know too much about it, but we have a man sitting back here who could tell us about it, either Mr. Taylor or Mr. Fennet -- Mr. Fennet is the livestock superintendent of the province.

THE CHAIRMAN: Is Mr. Fennet in the audience?



MR. BENNET: Yes.

THE CHAIRMAN: Will you come forward and perhaps Mr. Taylor could come with you if he wishes.

You are the Provincial Livestock Commissioner, are you?

MR. BENNET: Yes, sir. The Hog Marketing Board is set up to organize a group whereby the hogs in the province were marketed through one channel. Now, when I say one channel, that is all the hogs that are marketed through packing plants. A farmer that has one or two or three hogs, and wishes to kill them and sell them to the store, he does not come into the marketing board, but all the hogs that are going through regular channels to packing plants must be sold through a board. This board is made up of five members who constitute the board. They have specified one marketing board or marketing institution that handles their hogs, and at the present time in the province the livestock shipping service handle all the hogs; they specify where the hogs are to go. We have two plants in New Brunswick, Canada Packers and Swift Canadian, and they specify where the hogs go, to one of these plants, and they supervise, the manager supervises the marketing of the hogs.

THE CHAIRMAN: How long has this been in operation?

MR. BENNET: It has been five or six years, I would not say for sure, because time goes so quickly,



but it was five or six years, and perhaps seven years.

THE CHAIRMAN: May I ask Mr. Sloat the next question? Do the farmers like the Hog Marketing Board?

MR. SLOAT: I think they do.

COMMISSIONER MacKICHAN: If Montreal should appear better to the marketing agency, they could direct the hogs to Montreal?

MR. BENNET: Yes, they ship them to any point that offers the best price. I might say before the Hog Marketing Board came into effect practically all these hogs were being marketed co-operatively, I would say all of them, more than at the present time, so when these services were offered they were just continuing a service that they had been operating before, and they sold to whether it was Montreal, Toronto or either of the packing plants in the Maritimes, whatever price was the best. I might say that hogs are practically the only livestock product that is being marketed in the Maritimes at the same price level as anywhere else in Canada: We get the same price for hogs in New Brunswick as they do at Montreal or Toronto or anywhere else in Canada, and that has been accomplished through co-operative marketing.

THE CHAIRMAN: Does the Board negotiate the price with the packing plants?



MR. BENNET: Oh yes, they negotiate the price.

COMMISSIONER WALTON: What about beef?

MR. BENNET: No.

COMMISSIONER WALTON: That is not done?

MR. BENNET: No.

THE CHAIRMAN: Have the plants the capacity to handle all the hogs in the province?

MR. BENNET: Yes, they do not get enough.

THE CHAIRMAN: You suggested there were fewer produced than years ago?

MR. BENNET: No, fewer marketed, and that is because at the present time there are quite a lot of hogs being manufactured in this particular locality that are not through a registered plant, and, therefore, they do not come under the Hog Marketing Board, and they are continuing to grow.

THE CHAIRMAN: Why is that?

MR. BENNET: Well, I expect one of the reasons is that, for instance, in Fredericton we have not got any control over grades of hogs -- I should not say that -- inspected plants--we have not got an inspected plant. We do not say that meats have to be inspected, therefore, they bring them in here and they are killed in uninspected plants, and that business is continuing to grow, and they are taking a bigger share of the hogs each year. Possibly the uninspected plants can operate



cheaper than inspected plants.

THE CHAIRMAN: Do you think they are getting a better price there than through the Board?

MR. BENNET: The farmers are getting a better price than through the Board. That should not be that way, but the dealers in this area pay the top market price for their hogs irrespective of grade. They take "A"-1 price which at the present time is around 29 cents, between 29 and 30 cents. Dealers that are handling these hogs pay that price right across the board without grading, so the farmer who has a poorer grade of hogs is doing a little bit better possibly selling to them than shipping to the inspected plants.

COMMISSIONER WALTON: So the consumer pays Grade "A" price for Grade "C" hogs?

MR. BENNET: I presume so, and it is a question of transportation. I might say that dealers in this area are not happy about that condition, they would sooner have inspected plants or buy through inspected plants because then they could buy on grade, and when they are buying on grade they get a lot of over-fat hogs which they have to trim and which costs them something and it lowers the margin of profit.

COMMISSIONER MacKICHAN: Are these market producers not receiving premiums?

MR. BENNET: No, not receiving premiums.



COMMISSIONER MacKICHAN: On this market the producers are not receiving premiums.

MR. SLOAT: No, not receiving premiums.

THE CHAIRMAN: How do your hogs grade; what percentage of them get a premium?

MR. BENNET: In the province last year, through the way they are graded we had about 46 per cent A's compared to what -- 24 for Canada, so our grade of hogs is very high.

THE CHAIRMAN: These, of course, are inspected plants.

MR. BENNET: Yes.

COMMISSIONER DRUMMOND: You spoke about the negotiated price. You said that the Board negotiated with the packers.

MR. BENNET: Yes.

COMMISSIONER DRUMMOND: With respect to price.

MR. BENNET: Yes.

COMMISSIONER DRUMMOND: Do you feel that in these negotiations they are actually able to get a little better price than before?

MR. BENNET: Yes, that is because that is the only livestock that we produce in volume enough to ship out, and therefore if the packers in the Maritimes will not pay the price, they ship them to Montreal and we get the Montreal price. That controls price.

COMMISSIONER DRUMMOND: It gives you a



certain amount of bargaining strength?

MR. BENNET: Yes.

COMMISSIONER DRUMMOND: You either ship to one place or the other?

MR. BENNET: Yes. Our hogs are the only live-stock we have in volume enough to do that with.

COMMISSIONER MARTIN: Does that mean that you usually have the Montreal price less the transportation charge?

MR. BENNET: No, we have the Montreal price. It is based on the Montreal price.

COMMISSIONER MACKICHAN: Plus the freight of the product coming in?

MR. BENNET: That is right.

COMMISSIONER MACKICHAN: That is one time we are on the right end of these freight deals.

MR. BENNET: Yes.

THE CHAIRMAN: You also mention the Potato Marketing Board. Mr. Strong, would you like to tell us a bit about its operation?

MR. STRONG: Well, that is something we do not like to talk about. We had a Potato Marketing Board here one time, and I do not think we will ever live it down, but they turned us all into a bunch of crooks.

THE CHAIRMAN: It is not operating now?

MR. STRONG: No.

THE CHAIRMAN: Well then my question has no



substance.

MR. STRONG: Well, I mentioned here a few minute ago that that is set up under this Natural Product Act, but we still have the law here. We can open it up tomorrow if we want to.

We have in our minds through our Federation that about opening it up for promotional purposes only, as I mentioned before, but it has got to be opened up under the Dairy Marketing Board. We do not propose to market any potatoes under it, although we have the law. We could if we wanted to in an emergency. You could not talk the farmers into opening up that any more because it disgraced the market.

THE CHAIRMAN: We are very nice people. We do not like to embarrass anybody.

MR. STRONG: You can't embarrass me. I did not get any loot out of it.

THE CHAIRMAN: We are entitled to go into the operation of the Boards because we have had limited experience with them in Canada, and we have had references to them in other places both for and against. We think this matter has some relationship to our Terms of Reference, so if there is anything useful in the experience you have had here which you think has definite application to marketing boards, we feel we want you to tell us about it, but I do not want to argue.

COMMISSIONER DRUMMOND: Maybe you can tell



us what they can't do, or should not try to do.

MR. STRONG: Well, I just don't know what information you would like to have. I do not mind giving any information that we have.

THE CHAIRMAN: In brief, why did it break down?

MR. STRONG: It was organized here I think in 1952, if I remember -- 1954 -- I can't remember. Do you remember Mr. Taylor?

MR. TAYLOR: 1951.

MR. STRONG: We had a surplus of potatoes -- a lot was on the books. We got through in marketing our crop of potatoes that Spring, but it has not been in existence since. We still owe a lot of money on it.

MR. TAYLOR: They endeavoured to merchandise a crop bigger than could be merchandized on a perishable market out of the market available. I think that is a fair statement, is it not?

MR. STRONG: I think so, yes. It is impossible to sell a perishable product more than can be consumed.

COMMISSIONER WALTON: Do you get any competition from imported or Canadian potatoes into this province, such as British Columbia gets?

MR. STRONG: This is the first year in four or five years that their price has been better than ours. Yes, we did. As probably you know, we got a tariff a year ago on potatoes. We never had



them before, but it did not effect us this year because we were shipping the other way this year.

COMMISSIONER DRUMMOND: Is the percentage of your potatoes which goes to the Central Canadian markets getting larger all the time?

MR. STRONG: No, it is getting smaller. They are raising more of their own up there every year.

COMMISSIONER DRUMMOND: Where do you sell the potatoes that went there before?

MR. STRONG: Well, they go to the West Indies quite a lot, and a big part of them would be to seed areas. We have pretty good seed orders this past two or three years.

COMMISSIONER DRUMMOND: What I am trying to get at is, when you ship potatoes from here to Montreal or Toronto, there would be some transportation charges, but if you ship them to some nearer point that charge may be that much less. I am wondering if it is.

MR. STRONG: Yes, but there is something funny in that the potatoes that we sell are based pretty much on the Montreal price. That seems to be the hub of our price. Now, we ship potatoes to Toronto, and all over Ontario, but we ship based on the Montreal price, Montreal freight, make our invoices out that way. Whatever freight is beyond Montreal the consignee pays it - the last three years. It is getting more so all the time. Everything is sold



on Montreal basis.

THE CHAIRMAN: Mr. Schousboe, you are the Cream Producers organization, are you?

MR. SCHOUSBOE: That is right, sir.

THE CHAIRMAN: Can you tell us about your operations?

MR. SCHOUSBOE: I feel that I am skating on thin ice when I get talking about retail or spread between the consumer and producer as far as butter is concerned. You will notice from the table on page 2, that the spread has been practically constant over the last nine years, and it is a higher percentage on any of the margins, so I realize I will have to go very carefully, sir, or I might get snapped up.

However, in the table on page 3 you will see that butter -- the percentage of the consumer's dollar that the farmer got went down for the **first** time in a long while. I may, Mr. Chairman, explain to you about that, and what we claim should be done or feel will be done perhaps by this Commission to remedy that situation.

The reason that butter has been very very constant over the long period of years is because when the floor price was established on butter in this country, there was quite a lot surplus and it grew and grew to tremendous proportions, and the fact has been that butter has stayed at the floor price winter and summer right straight along. There



is no possibility of anybody making any money on it.

Unfortunately, that was also true of the creamery producers because you gentlemen know as well as I do the floor price was based on the cost of production, so in reality we cream producers received the cost of production for our work for the past six or seven years.

Last year that surplus was pretty well gone. We could get manageable proportions again, and the wholesalers -- the fellows store the butter and the operators or anybody else that had a chance to store away butter did so last Spring to the extent that the Control Board got very little butter. The speculators took it all over. They figured the price would go up, and they figured right. The price went up about 9 cents. The consumers paid for it, the speculators put it in their pockets, and the farmer got the blame for it.

We produced butter for a long period of years at cost. We feel that we were just being discriminated against a little bit last summer.

I will give you some figures, Mr. Chairman on that. In this province for this last year there were four cars of butter sold to the Control Board, that is on the floor price. The year before, 1956, there were almost 20 cars sold.

I must admit I did not have the time to get exact figures, but I called up our Federal Government



inspector, . that knows that sort of thing. He did not have his records available. He told me he was safe in quoting between 15 and 20 cars, and he could not give me the exact figures, so in reality in this province last year there were 15 carloads less butter sold to the Control Board than what there was the year before which amounts to 350,000 pounds.

Taking a rise in price of 8 or 9 cents it means \$30,000 that was made on butter last year by speculators in this province. And we feel should at least in part have gone to the producer.



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That was made last year by speculators in this province. That we feel should at least in part have gone to the producer. I am not one of the fellows who condemns speculators. I feel that a certain amount of that sort of thing is very healthy. It tends to stimulate the price all along, and I would be quite agreeable to seeing a speculator get a percentage of the price that was in effect last year, but I do feel that the farmer does the work and produces the stuff, particularly if compelled to produce them at cost over a long period of time, and he should also have a share of it.

Now I might say that in the summer months, June, July and August, that is the time that we have our largest production. In fact last year 46 per cent of our production. It is true that in the fall the price went up and the farmer got the increase at that time, but the unfortunate part of it was that the best part of the season was gone while he was really producing something during June. It was 46 per cent for those three months. That is not very heavy.

Now, we would like, as the cream producers, to recommend to this Commission that the producer price be tied to a formula price which would ensure the producer automatically receiving the benefit of an increase in prices. We feel generally that the butter floor price is all right with the

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tremendous surplus, but to our mind that should be controlled by the rise and fall of prices and speculators should not be guaranteed when it comes spring and there is not too much butter in storage, that the price is going up. He can roll the price back to the floor price and keep it there until he gets his storage space filled up and then bring it up to the price that is going. We feel that authorities should control the floor price to the extent that the producer at least would get some of the benefit. I know that our government as it is now a week ago raised the floor price to 64 cents, and a gentleman you see right there, a processor in this province and in other places in Canada, will not be able to roll the floor back beyond that 58 cents as they did last year, and we will in that instance get that extra 6 cents. It is a law of the land you can't stop. We feel that there may be other situations arise where all at once there is a price rise and certainly the operators -- it is only instinct when there is a dollar to be made you go and make it -- will roll the price back to the floor price and profit again the same as last summer, and it is a detriment to the producer. The producer gets the blame, mind you by the consumer when she sees butter goes up 10 cents. She says, "Those farmers are doing all right. They are getting 10 cents more." Actually we get nothing like that.



Those are our thoughts from the Creamery Board, Mr. Chairman. It might be a solution to our problem that the producer price be tied to a formula price. Just how that can be done I don't pretend to be intelligent enough to tell you, but we feel that there is something lacking there.

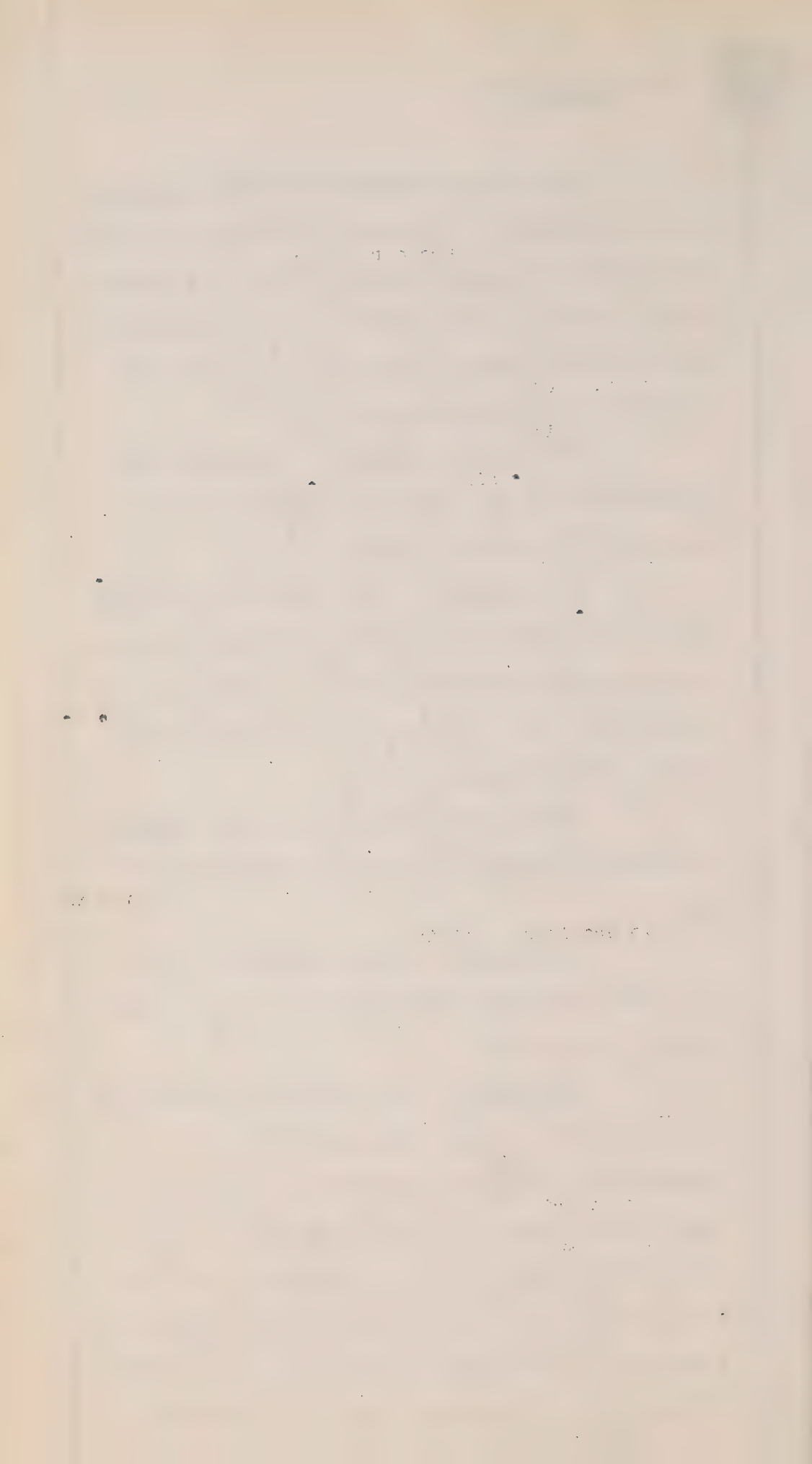
COMMISSIONER DRUMMOND: Has there been any reduction in the number of creameries in the province in the last ten years?

MR. LOCKHART: Yes, just natural hazards. One was closed down in Gagetown Army Camp, the other was a very minor operation anyway. Generally, no, there has not been one closed for any reason other than an extraordinary one.

COMMISSIONER DRUMMOND: So that ~~the scale~~ of operations ~~with~~ the creamery has not changed greatly?

MR. LOCKHART: No, not greatly. It fluctuates, of course, from year to year but generally there is no big shift.

THE CHAIRMAN: Mr. Schousboe, we indicated at our hearing in Regina that we felt that the programmes such as deficiency payments and support prices were really outside our Terms of Reference. It is concerned with the spread; not necessarily with all of the factors that affect that price and returns to producers. But might I ask you how do you account for the fact that although butter is a processed





commodity producers still get one of the highest amounts there is of the consumer's dollar in the case of butter? On the face of it this suggests that the spread is relatively small in this case.

MR. SCHOUSBOE: That is a floor price, sir. Before the war when there was not a floor price the spread was quite a large one, a lot larger. I cannot tell you what it was but certainly that has been one of our main grievances over the years. In the summertime when our product was coming in aplenty and at a very low price -- into like the packers that had storage facilities and money to buy -- they would buy the product, store it up and sell it at a fancy price in the wintertime. The reason for this very low mark-up right now is the floor price. No way of purchasing it below that. You see, that is the law of the land and you can do nothing about it. You have to keep it above that. There has been nothing at all to induce anybody like packers, or anything, to store butter. It was all bought by the control board and the cost was in my figures 3 cents a pound for the season, which doesn't amount to very much. I believe I am right in saying that two years ago through the efforts of the dairy farmers of Canada we even got the government to pay less. All the taxpayers of Canada were paying the storage charges. Butter was made and stored at no cost at all and the only spread was from the storage to the consumer. That is



the reason for the low spread.

THE CHAIRMAN: The cost of storage is being taken out of the public purse?

MR. SCHOUSBOE: At the present time. Why isn't it sold to the Control Board? It wasn't last summer -- very little sold to the Control Board because of the change in the market situation, and speculators made themselves eight or nine cents out of it. Good sense. Good business. Nothing wrong with it.

THE CHAIRMAN: Do you know what the retail mark-up on butter is in Fredericton?

MR. SCHOUSBOE: I don't know for sure, but I think it is less than five cents.

COMMISSIONER DRUMMOND: Do you think price support operations have had any effect on the price which you receive for cream in the months of June, July and August, large supply months, compared with what they were before?

MR. SCHOUSBOE: I certainly do, sir. We would get a lot less money for butterfat in the summer time, only for the floor price, and I might say this, sir, in my opinion, that is the only thing that has made the creamery producers survive, those periods where he has been producing at cost because the cost is based on the entire year, not on June or July production. He could actually under the floor price make some money during those summer months.

COMMISSIONER DRUMMOND: It is another way



of saying that your average price which you as a creamery producer gets for the whole twelve months has been raised?

MR. SCHOUSBOE: That is right, by the floor price.

COMMISSIONER DRUMMOND: If that is the case, isn't that some part of the explanation as to why the spread in the case of butter is so small?

MR. SCHOUSBOE: Isn't that what I have tried to explain? If not, that is what I thought I was explaining.

THE CHAIRMAN: No, let me follow this up now. The mere fact that the producer's price has risen is no reason by itself for the spread to be less. Percentagewise it may be the price has gone up, but what I am trying to get at is why the absolute price is small. One reason is that in so far as the storage has been performed by the Butter Control Board, the public treasury is absorbing that cost. It is not being borne by the distributors.

Another reason, which I am not sure that I understand, is that the retail mark-up on butter is extremely small.

MR. SCHOUSBOE: And another thing, sir, is the fact that the packaging on butter is just the same as it was when you were a boy. It comes in a little piece of wax paper and some printing, and there is no extra fancy cost to it. You have seen

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since you were a young lad that your mother would buy an 80-pound bag of oatmeal and put it in a bin. Now we can go to a store and take it down off the supermarket shelf in two or three pound bags with maybe a porcelain dish or something in it, and it costs pretty much as near as it did when you were a boy. We don't have that in butter. It is just the same as it was thirty or forty years ago. It doesn't add to the spread, and it is probably the only commodity in the lot of farm products that has not been made more expensive by packaging. I don't know why the consumer has not asked for a more expensive way of packaging the butter, but they haven't.

We have the president of the Consumers Association here for the province, sitting there. Maybe she can tell you why they haven't asked for a more fancy package for butter.

THE CHAIRMAN: It is true that a certain per cent of the butter is now put up in quarter-pound packages.

MR. SCHOUSBOE: Not in this province, sir. ⁺hat is in Ontario.

COMMISSIONER WALTON: They also have some fancy packages of butter in Ontario, which comes in gold foil.

MR. SCHOUSBOE: I might for your information tell you that that costs four cents a pound



more, those packages that they put up in Ontario, and they are put up especially for the very large supermarkets in Toronto, at an extra cost of four cents a pound.

COMMISSIONER COUVRETTE: When was the price put up four cents for butter?

MR. SCHOUSBOE: That has been going on for quite a while. It has been in effect since the war.

MR. SLOAT: It started when we got margarine, in 1949.

MR. LOCKHART: 1949 or 1950.

COMMISSIONER MacKICHAN: There seem to be two factors, possibly, governing the spread here. The first I think is --as I remember some merchandising -- that butter has been traditionally a low mark-up product. It has always been comparatively low mark-up; and the second is that the floor price was known and the selling price was known, and consumers generally have agreed with those two figures, which has an effect on the final retail price.

COMMISSIONER WALTON: Where they have an alternative like margarine.



THE CHAIRMAN: This is a terrible question to ask you, but why does the tradition persist? Merely to say it is a tradition is to me not an adequate answer, I want to know why the tradition exists, but perhaps in New Brunswick that is not a sensible question.

COMMISSIONER MacKICHAN: I was thinking of the Maritimes generally, sugar is another instance of a low mark-up.

THE CHAIRMAN: I have only one further question: You have provided this information, and as you indicate in the second paragraph you say:

"We do hope that the information gathered in our study may serve as a starting point in determining the cause of this spread between producer and consumer prices; also that it may help dispel the impression shared by too many town and city consumers that producers are responsible for the constant increase in the cost of living, particularly as regards food prices."

The fourth element in our Terms of Reference are to examine the adequacy of price information currently available. Now, have you any idea as to how we can get information to the consumers that would give them a more informative view of these things?

MR. SLOAT: Well, I have not. I do not know



if some of the other gentlemen do.

MR. STRONG: That question is quite a contention to the farmers too, because every once in a while the cost of living index goes up all because of the cost of food, and the farmers do not get any more, in fact, he is getting less all the time.

THE CHAIRMAN: Well we will be told about that.

COMMISSIONER COUVRETTE: May I ask one question? There was a question about eggs and butter, it was mentioned that in the last few years some butter had been stored by dealers and a big profit made by them which did not give any more to the farmers, is that right?

MR. SCHOUSBOE: Not a huge profit.

COMMISSIONER COUVRETTE: Well, what would it be?

MR. SCHOUSBOE: It was last summer, 1957.

COMMISSIONER COUVRETTE: Well then, your figures only take us to 1956.

MR. SCHOUSBOE: No, there are two tables here, there is one on page 4 that was taken March 7, 1958 -- no.

COMMISSIONER MacKICHAN: Page 3.

MR. SCHOUSBOE: Butter at 76.6.

COMMISSIONER COUVRETTE: As of 56?

MR. SCHOUSBOE: And 77, that is the straw that broke the farmer's back, I am talking about the



farmers, not the guy that made it, but the fellow that lost it. The market has been very, very small and we are glad of every cent that we feel we have coming to us, very little looks big to us in that particular business, because we are not used too much.

MR. LOCKHART: To keep the record straight, I notice Mr. Schousboe referred to the Control Board, and I think what he had in mind was the Federal Agricultural Price Support Board, and we have a Control Board around the province, and I wanted to clear that up.

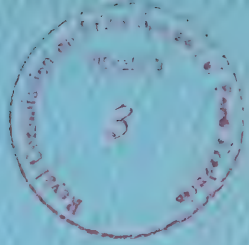
MR. SCHOUSBOE: That is right.

THE CHAIRMAN: Mr. Sloat, thank you very much and also your colleagues for coming today and helping us to get some of the background of the position here in the province of New Brunswick.

MR. SLOAT: Thank you for listening to us.

THE CHAIRMAN: We will adjourn now until 10 o'clock tomorrow morning.

Henry Walton



ROYAL COMMISSION

ON

PRICE SPREADS OF FOOD PRODUCTS

An error in numbering has occurred

Make April 29 (Fredericton) Volume 10 A.

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ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Com-
mission on Price Spreads of Food
Products commencing at 10.00 a.m.
Tuesday, April 29th, 1958 at
Fredericton, N.B.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A.A. Caron



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APPEARANCES

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Maritime Co-Operative Services Ltd.	1750
Mr. W. R. McEwen	
Mr. Roy Grant	
 New Brunswick Branch of Canadian	 1808
Association of Consumers	
Mrs. V.E. Falkjar	
Mrs. L.W. Bagnell	

EXHIBITS

37	Submission of the Maritime Co-Operative Services Limited	1750
38	Submission of the New Brunswick Branch of Canadian Association of Consumers	1808



SUBMISSION OF
MARITIME CO-OPERATIVE SERVICES LTD.

Appearances:

Mr. W.R. McEwen	Secretary-Manager
Mr. Roy Grant	Assistant Manager

THE CHAIRMAN: Come to order. We will open the hearing. The brief this morning is from the Maritime Co-operative Services Limited, and we have with us Mr. McEwen, the Secretary-Manager, and Mr. Roy Grant, the assistant. This will be Exhibit 37.

EXHIBIT NO. 37: Brief of the Maritime
Co-operative Services
Limited.

THE CHAIRMAN: Mr. McEwen, we are very happy to have you here. I can remember the days in which you taught me the principles of co-operative as a student. I hope you have something equally helpful to give us today. If you care to proceed.

MR. McEWEN: Thank you.

THE CHAIRMAN: I would like to have you read your brief into the record.

MR. McEWEN: Dr. Stewart, and members of the Commission, you have already named myself and my assistant, and also Mr. George Stephenson, secretary of the N.B. Co-operative Union and Mr. Alex. Laidlaw, Secretary of the Co-operative Union of Canada in the audience, and if we get cornered on some questions of



co-operatives we may call on them.

First, I would like to bring your attention to the fact that there is a clerical error in the heading, where in the fourth line it says "organization" it should be "origin". We would appreciate if that was corrected. This, as you know, is submitted on behalf of a section of the co-operative movement of the Maritime provinces, and I will proceed with the subject matter.

We wish to thank the Chairman and personnel of the Royal Commission for the privilege granted to present this brief covering material we believe to be pertinent to the inquiry. The presentation is on behalf of producers or/and consumers of the Maritime provinces who are a part of our co-operative movement.

The assumption of the inquiry is that narrow spreads, as between producer and consumer, is desirable. Persons representing some middleman services may question this premise, but it will be our contention that narrow spreads are desirable to the point where the producers will get a fair portion of the consumer's dollar, and the consumers are not overcharged in relation to the return the producer is getting.

We will contend too that the co-operatives' influence in the fields in which they operate is towards narrowing spreads as between producer and consumer, and the elimination of waste in performing the middleman functions involved.



We will argue further that there is considerable evidence indicating that wider spreads do exist, as between producer and consumer, than conditions justify in at least some agricultural products, and in the case of cattle and beef we will give detail to support our contention.

I - The Cattle-Beef story: Cattle shipments to Montreal 1951 -- late in 1951 Maritime Co-operative Services Limited shipped 26 cars of cattle from the Maritimes to Montreal. There was a gain of over \$4,000 over possible returns for the same stock in the Maritimes. This gain was net after absorbing more than \$4,500 in extra transportation and allied costs in connection with the shipments.

It is significant also that the price differential during the period of shipping August - December, narrowed somewhat. During the early portion of the shipping time, there was the unusual occurrence of having price advances in the Maritimes, due, we believe, to these shipments being made, while Montreal had declines as can be noted in Table 1.

Now it is not my intention to read all the figures. The indication is of the prices at the two Maritime points, and at Montreal and at Toronto, and the summary there of the final figures indicates something of the spread that existed as between these various markets, and the source of the material is noted there; Montreal and Toronto being materially

THE HISTORY OF THE UNITED STATES OF AMERICA

FROM THE FIRST SETTLEMENTS TO THE PRESENT TIME

BY JAMES OSGOOD

NEW YORK: PUBLISHED BY J. OSGOOD, 15 NASSAU ST.

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higher than the Maritime markets.

TABLE I

Cattle Prices per 100 lbs. alive, Medium Steers

	F.O.B. Country Points <u>Moncton</u>	Del'd to Plant <u>Ch'Town</u>	Del'd to stock yards <u>Montreal</u>	Del'd to Stock Yards <u>Toronto</u>
<u>1951</u>				
January	\$ 23.00	22.38	26.28	26.45
February	24.60	24.20	27.97	28.28
March	26.26	25.00	29.39	29.91
April	26.00	25.30	31.17	30.99
May	28.00	27.25	27.67	30.15
June	27.00	27.25	30.94	31.55
July	28.38	28.88	32.45	32.27
August	29.30	29.00	33.88	32.69
September	27.00	25.67	31.15	31.83
October	27.38	26.76	30.78	32.07
November	27.05	27.05	30.65	32.12
*December	26.00	26.00	30.13	31.68
	<u>\$ 26.66</u>	<u>26.23</u>	<u>30.21</u>	<u>30.83</u>

Compiled from "Livestock and Meat Trade Report" Department of Agriculture, Ottawa.

* Moncton prices are f.o.b. country points except December which is delivered to plant.

At the same time that the cattle were bringing materially less money in the Maritimes, the price of the beef therefrom wholesale to retail was generally higher. These differences for an extended period are shown in Table II.

Now this is the beef price for these four markets, wholesale to retail, and again the figures indicate that while we were getting less of the cattle we were paying more beef in this area, and again the source of the information is noted.



TABLE II

Commercial Steer Beef Prices Wholesale to
Retail-Yearly Averages
(450-650 pounds)

<u>Date</u>	<u>Saint John</u>	<u>Moncton</u>	<u>Montreal</u>	<u>Toronto</u>
1950 Average	.455	.461	.461	.450
1951 "	.563	.571	.571	.562
1952	.476	.488	.477	.468
1953	.379	.386	.369	.363
1954	.369	.380	.354	.341

These figures are from the Prices Section of the D.B.S. and from the publication "Livestock and Meat Trade Report", as published weekly by the Markets Information Section, Marketing Service, Department of Agriculture, Ottawa.

Note: The detail is given for medium steers and commercial beef, which corresponds. This grade is common to the Maritimes and illustrates the average differential for the whole range of quality.

The figures in Table I are for 1951 and covers the period in which shipments of live cattle were being made to Montreal. Table II figures are for 1950 through 1954 for wholesale beef prices. The differential pattern is consistent with that 1951 experience, as shown in the average figures to 1954. Table III shows live cattle prices that correspond to the beef prices listed in Table II.

Now there again that just covers the same period of time, and noting the price in the Maritimes



versus the other Canadian markets.

TABLE III

Cattle Prices Per 100 lbs. alive, Med. Steers
(Yearly Averages)

	<u>Del'd to</u> <u>Plant</u> <u>Moncton</u>	<u>Del'd to</u> <u>plant</u> <u>Ch'town</u>	<u>Stock</u> <u>Yards</u> <u>Montreal</u>	<u>Steers</u> <u>Stock</u> <u>Yards</u> <u>Toronto</u>
1950	20.70	20.57	24.41	24.49
1951	27.08	26.62	30.65	31.31
1952	21.10	20.58	24.37	24.18
1953	15.34	15.19	18.26	18.67
1954	14.30	13.93	17.67	17.87

Note: The Canada Department of Agriculture discontinued publishing Maritime live prices for cattle, so that for the last year or two official figures have not been available for comparison.

Recent Experience -- Maritime Co-operative Services Ltd. puts into table form the differentials as experienced weekly. The figures for two different weeks, one September 9th, 1957 and the other March 25th, 1958, are reproduced for the three top beef grades. The final columns show the gain or loss per pound that could be made in shipping to Montreal over Maritime markets.

Now these two dates were simply taken, because it is in the height of the shipping season in the Fall, one of them, and the other was an illustration date



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that we had at the time. Those are these two dates we referred to and indicate various prices, the estimated Montreal average live price, the range and average yield delivered to plants, that is warm dressed weight of carcass weight, equivalent to Montreal dressed, and the Maritime dressed, and the Montreal dressed, and the differential lies over, or lies and dressed over Maritimes. Montreal over Maritimes, the final two columns indicate the differential on these three grades, Montreal over Moncton which as you see are quite material.

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Weekly Price Analysis - Cattle (Steers)

Maritimes and Montreal September 9, 1957 and March 25th, 1958

Basis	Estimated	Range & Av.	Equiv.	MARITIMES	MONTREAL
Market Wire	Montreal Av.	Yield warm wt.	Montreal Dressed Live	Over Under	
Cattle	Live Price	Del. to plants	Dressed Price	Equiv. MARITIMES	
<u>September 9, 1957</u>					
Dressed Live					
STEERS					
19 1/2-20.10	19.80	49 - 66			
Choice		A 57%	34.73	32.50	18.52 *2.23 *1.26
17 1/2-19 1/2		50 - 63			
Good	18.40	B 55%	33.45	31.50	17.32 *1.95 *1.08
14 1/2-17 1/4		50 - 61			
Medium	16.15	C 52%	31.05	*28.75	14.95 *2.30 *1.20
<u>March 25th, 1958</u>					
23 1/2-24.75	24.10	49 - 66			
Choice		Choice 57%	42.28	38.75	22.08 *3.53 *2.02
22 1/2-23.50	23.00	50 - 63			
Good		Good 55%	41.81	37.75	20.76 *4.06 *2.24
20 1/4-22 1/2	22.00	50 - 61			
Medium		Std. 53%	41.50	36.75	19.47 *4.75 *2.53
	20.75	46 - 59			
		Com. 1 52%	39.90	35.25	18.33 *4.65 *2.42

Note

The differentials on top to Medium Steers are not the widest margins. The week of September 9th Good Bulls were *4.32 for Montreal and Medium Calves *4.60. One grade would have shown a loss, i.e., Medium Heifers -.40. March 25th shows some variations in comparison with September 9th, but generally the Montreal differential advantage is greater.



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The Maritime cattle-beef experience, as presented, illustrates two points: (1) The gains on behalf of the producers as made by the co-operatives' activity, and (2) the margins that still prevail and that co-operative organization, as now existing, has not been able to eliminate. The fact that these margins do exist in a market area that consumes much more than it produces, indicates an undesirable situation. Tables V and VI illustrate the production and consumption statistics of the area and adds emphasis to our price spread situation.

Now the production of cattle and the consumption and the deficiency figures for N.S.P.E.I. and Newfoundland. Now in the main the New Brunswick and Nova Scotia are highly deficient, as well as Newfoundland and Prince Edward Island has the small surplus, but for the whole area there is a very material deficiency of production as against consumption.

Table V. - incidentally, those figures were taken from Country Calendar, as shown on January 5th. Table VI is also from Country Calendar and their source is the Livestock and Meat Trade Report, D.B.S. figures.



TABLE V

Maritime Beef Production and Consumption
(Heads of Cattle)

	<u>Production</u>	<u>Consumption</u>	<u>Maritime Deficiency</u>
N.B.	37,000	79,000	-42,000
N.S.	37,000	87,200	-50,200
P.E.I.	33,500	16,300	+56,800

D.B.S. figures as quoted on Country Calendar January 5,
1958.

TABLE VI

Meat and Beef and Cattle Prices

Retail chain store prices - 1 lb. graded sirloin steak
January 2, 1958.

<u>Winnipeg</u>	<u>Toronto</u>	<u>Montreal</u>	<u>Halifax</u>	<u>St. John's</u>
.89	.95	.89	.97	1.00

Wholesale to retail price "B" "Brand Beef" 1956 (Average
Weekly).

<u>Winnipeg</u>	<u>Toronto</u>	<u>Montreal</u>	<u>Moncton</u>
33.50	36.00	35.80	37.80

1957 Good Steers (Average Weekly Price)

17.80	18.80	18.85	18.00
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(Source Livestock & Meat Report -

As quoted on Country Calendar, January 5, 1958).

The fact that the Maritimes is a deficiency
area in beef production, and in most meats, emphasises
the unfair price spreads that are being maintained as
between this area and Upper Canada.

II - Milk and Dairy Products: If consumers of



whole milk claim that fluid milk prices are too high, they may need to recognize the high costs involved in processing, packaging and delivery, and the varying spreads existing under milk commission regulations in different markets. For instance, the spreads between bulk producer price and delivered to consumer as allowed in four key centres are in the Maritimes - per quart - Halifax 9.05 cents; Sydney 8.65 cents; Moncton 7.80 cents and Charlottetown 6.45 cents.

It is hardly possible to reduce the cost of processing. Packaging too is at or near a minimum in the light of consumer preference in relation to cost, and to cut delivery costs would require a degree of consumer co-operation not now present.

For instance, consumers may, and frequently do, demand service at their convenience and not on a basis that would fit into the time of economic delivery or routing. Every second day delivery should now be practical, but a combination of consumer and labour resistance to it is present.

The package and package costs -- The co-operative processor-distributor at Moncton has found that sales of milk in one-half gallon or gallon containers is not popular up to this time and the cost of re-equipping plants with washers, conveyors, fillers, etc., to handle this size container is an obstacle to greater economy. Also many package sizes



add to distribution costs.

Glass bottles are generally used for the distribution of milk. Paper containers are practical and satisfactory, except that the cost is excessive. As an example, a quart paper container will cost about 2-1/3 cents. A quart glass bottle costs about 10 cents, but a glass bottle will last, on the average, about 30 trips or a cost of one-third of a cent per trip. This leaves an additional cost of 2 cents per quart to package milk in paper. This, on the basis of today's distributor spreads, would be prohibitive. This indicates that package costs can be an important and limiting factor in reducing price spreads.

The contention, based on our milk marketing experience, is that, considering services, existing price spreads are not excessive and to limit those services would require the co-operation of the consumers beyond any point they have yet as a group been ready to go.

With the foregoing considered, it can still be said that co-operatives in the whole field of dairy products have made savings for both producer and consumer. For example, Co-operative Farm Services Limited of Moncton returned to butterfat producers one cent per pound butterfat bonus to all producer suppliers, plus another two cents per pound to shareholder members in addition to regular price and also allotted to the consumer section of their dairy-creamery operations the



regular consumer patronage dividends on any of these products sold through their store in their last completed business year.

Other Maritime Co-operatives handling milk have shown an ability to narrow spreads - an article in The Family Herald of the first week in April told how Cape Breton Co-operative Dairies have narrowed the spreads and returned additional money to their producers, while both the capital co-operative of Fredericton and Carleton Co-operative Creamery, East Florenceville, N.B. has improved price conditions materially for their members.

III - Marketing Eggs: The experience of the Capital Co-operative Limited of Fredericton, N.B. marketing eggs indicates that the returns to their member producers are materially greater than would be the case if the co-operative was not doing the job.

Table VII illustrates prices and margins of different trade classifications for the Fredericton market January 16th, 1958.

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TABLE VII

Eggs - Unpackaged

Grade	Price to Producers of Capital Coop.	Wholesale Price to Retail Store (Loose)	Quotes received by Capital Coop. from packing houses and wholesalers	Producers return if sold based on Column
1	2	3	4	5
A large	33¢ per doz.	43¢ per doz.	34¢ per doz.	27¢ per doz.
A Med.	31¢ per doz.	41¢ per doz.	31¢ per doz.	25¢ per doz.
A Small	27¢ per doz.	37¢ per doz.	30¢ per doz.	24¢ per doz.
B	31¢ per doz.	41¢ per doz.	31¢ per doz.	25¢ per doz.

Quotation reference "Poultry Products Market Report",
17/1/58.

Broilers

Broilers per lb. 36¢ per lb. 45¢ per lb. 39-1/2¢ per lb.
33¢ per lb.

Prices fluctuate -- spreads such as the above
are not in effect at all times, but the table shows the
producers' benefit derived from marketing co-operatively
at one time when the market was depressed.

The policy of selling the member products
at the best market price and then establishing the
paying rate on those selling prices less operating
margins, not only gives the producer a better return,
but tends to reduce the price spread between the pro-
ducer and the consumer.

The general manager of Capital Co-operative
Limited emphasized the point of narrowing the spreads
through more direct co-operative action when he said
in his report to the Annual Meeting 12/4/58:



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"During the past year, we continued our marketing policy of selling as much of our production as possible directly to the retailer to try and minimize the spread between the price paid to the producer and the price paid by the consumer. We have been following this system of marketing for the past 2-1/2 years and in view of the experience gained, we are confident that this type of marketing program enables us to pay a better price to our producers and also insures that we get our fair share of the potential market."

IV - Co-operatives reduce price spreads: The practice of returning to producers or/and consumers the savings which result from any co-operative's operations has the effect of reducing price spreads as between them and in the final analysis results in performing the services involved at the cost of those services.

To illustrate this point further, we will trace an item through several co-operative organizational steps.

An example of Maritime Co-operative membership and structure is as follows:

Individual people, over 2,000, belong to the retail - Co-operative Farm Services Limited of Moncton, N.B. This organization, together with some 200 other corporate groups, covering the three Maritime provinces, are shareholder members of the wholesale -



Maritime Co-operative Services Limited. This Maritime Co-op is in turn a member of the Canada wide jobber-processor organization - Interprovincial Co-operatives Limited, head office Winnipeg, Manitoba which is made up of provincial co-operative wholesales from coast to coast.

One consumer item handled is wheat flour. This is milled in the Saskatchewan Wheat Pool Mill at Saskatoon. The mill is owned by the Co-operative Wheat Producers of the province. After manufacture, the flour is distributed across Canada by the co-operative chain, as outlined in the previous paragraph.

If there is a milling earning, it is credited to the wheat producers; if there is a distribution earning, it is credited to the people in the local co-operative who consume or use the product. Interprovincial credited their surplus savings to Maritime Co-operative Services Limited in proportion to business done. Maritime Co-operative Services Limited credited Co-operative Farm Services Limited with their portion of its surplus and the members of that local organization were in turn credited with their portion of the cumulative savings thus acquired.

In the last business year of each of these co-operatives the percentage earnings credited to each member in sequence in the classification in which flour would be were - Interprovincial 0.22 per cent, Maritime Co-operative Services Limited 3.05 per cent,

Co-operative Farm Services Limited 2.50 per cent.

To clarify this point further, these three co-operative steps credited their respective members on all business classifications with the following savings -

Interprovincial Co-operative Ltd. Total	\$168,854.27
To Maritime Co-operative Services Ltd.	13,828.61
*Maritime Co-operative Services Ltd. Total	146,888.24
To Co-operative Farm Services Ltd.	17,345.02
Co-operative Farm Services Limited	31,692.15

*In addition to moneys allotted to reserves, interest or share capital and income taxes and while one organization in each classification only is used to illustrate; the principle applies to all.

V - Packaging and price spreads: The same series of co-operative organizations, as was used to illustrate the general narrowing influence on price spreads in the case of wheat flour, is active in the processing or/and distribution of many food products, and in the main the interest or approach is from the consumer angle.

In the experience in the grocery distribution field, it is of real concern to co-operative planners to witness the extent to which fancy package and something-for-nothing appeals have displaced efficiency or an economy objective in purchasing.

What can be done, for instance, when the best of natural foods - such as rolled oats or wheatlets can be purchased in good five-pound packages at about



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10 cents per pound, but the big sale of these articles is in one or two-pound boxes, often containing some catchy low value premium, but the food product costing 20 or more cents per pound.

Vince Lunny, writing for the front page of The Financial Post 29/3/58 has his article headed: "Blame the Housewives for Rising Food Price Tags", and heads the list of reasons for rising food costs with -

"Housewives continue to demand more prepared and semi-prepared foods."

It is in the field of consumer education that the co-operatives and the Canadian Association of Consumers have to struggle against a plethora of advertising that appeals to every emotion except common sense. Truly here common sense is not too common.

It could be said in connection with merchandizing today that the way to sell is to put the cheapest possible article in the most expensive possible package with the most elaborate advertising and with the greatest possible appeal to peoples' belief in magic or desire to get something for nothing. Then price is no obstacle, and price spreads of no significance.

Multiplicity of Brands: This is another field in which the consumers are caught in a wilderness of advertising and the merchant is forced into a position of having to maintain a great deal of duplicated inventory with extra costs of space, money, insurance and obsolescence.



The co-operative's effort towards a solution is the maintenance of their own CO-OP label and an educational drive directed towards the consumer, who in this case is a part owner of the business, indicating the economies involved in deciding on one good line of any product suitable for their needs and encouraging the use of it with a minimum of costly fanfare or publicity.

VI - Income Tax and the Co-ops: There is one item in the income tax regulations that works against the full payment or allotment of surpluses to patronage dividends. Section 75(3), says - I do not know whether to read this or not, because anybody reading the legal phraseology of the Income Tax Act seems to get lost more than ever. However, the co-operative is not allowed to reduce the surplus of co-operative dividends below 3 per cent of the capital line in a business year, except there is a certain amount of interest other than bank interest and other financial institutions, so it is 3 per cent below which they are not permitted to reduce the surplus from patronage dividends that the objection is to.

(14-555) Limited by Reference to Capital Employed:

"Where the deduction of an amount under subsection (1) or (2) would result in the taxpayer's taxable income for the taxation year (before deduction of any amount under



"Section 27 in respect of business losses) being less than the amount by which

(a) 3 per cent of the capital employed in the business at the commencement of the year,
exceeds

(b) the interest, if any, paid on borrowed moneys (other than moneys borrowed from a bank incorporated under the Bank Act or from a corporation or association described in paragraph (k) of subsection (1) of Section 62) and deductible in computing his income for the year, the amount that may be deducted under this section is such as will leave the taxpayer with a taxable income (before deduction of any amount under Section 27 in respect of business losses) equal to the excess".

The removal of this regulation would permit of reducing business price spreads to the full extent of any co-operative's surplus through patronage dividends.

VII - General Influence of Co-operatives:

Our contention is that the influence of co-operatives in marketing on behalf of producers and purchasing on behalf of consumers does tend to eliminate unnecessary or undesirable spreads and the fact that the objective of the co-operatives is to perform such services at cost has great significance. The cattle-beef story



does show some such effect, but leaves much still to be done. As to furnishing proof of repeated or continual spread narrowing, this is not easy or may not be possible as the co-operatives' effect extends to all involved in any business activity in which they are operating, rather than being confined only to members. This point can be illustrated by quoting from Dr. B.H. Hibbard's book "Marketing Agricultural Products." Dr. B.H. Hibbard was Professor of Economics at the University of Wisconsin when the book referred to was written. In the chapter outlining the rise and fall of the Grange, he had this to say:

"Attempted too much - When the big reductions in the cost of the supplies were effected the victory was too easily beneficial to all without respect to membership in the Grange. Then, after prices had been cut in two, it could not be done again. Those who joined weeks later were unable to see wherein they had profited"

The experience of having the benefits extend beyond the members who carry the expense and organizational load, as in the Grange almost a hundred years ago, has been repeated as often as co-operatives have entered a business field. It was experienced by the Maritime Co-operative organization of the 1930's, when on the occasion of and during the time involved in moving a cargo of flour and feeds from Montreal to the Maritime



ports of Pugwash and Pictou the general trade prices in the Maritime area were reduced by \$4 per ton on mill feeds and by as much as \$1 per 98-pound bag of flour with no price change in the basic supply market.

It is pertinent to contend, therefore, that the beneficial influence of co-operatives, in the business fields in which they operate, cannot be limited to any margins that prevail after their entry into that field, as there is a tendency to level out wide price difference where they did exist initially.

VIII - Royal Commission Findings: A further indication of the desirable influence of co-operatives in marketing and purchasing are the findings of a whole series of Royal Commissions over the last 30 or more years, of which the following are examples.

In Nova Scotia in 1953, the report of the Inquiry Committee on United Fruit Companies of Nova Scotia contains this paragraph under proposals for re-organization -

"There appears no justification for depriving United (that is United Fruit Companies) of the advantages of the best co-operative structure available. Thought should be given to broadening the Nova Scotia Co-operative Associations' Act in order to include United Fruit Companies.'

Other Commission Reports -- From the Report of the New Brunswick Committee on Reconstruction in



1944, Chairman Norman A.M. MacKenzie, has this comment:

"Co-operative enterprises have played an increasingly important role in the development of New Brunswick agriculture during the past two decades. It is essential for the future welfare of the industry that the continued development of such organizations be in no way impeded."

In 1930 the Report of the Royal Commission on the Apple Industry in Nova Scotia, Henry M. Tory of Ottawa Chairman, contains the following -

"That its (Consolidated Fruit Companies of Nova Scotia) objects should be (a) the marketing on a co-operative basis of the apples grown by the companies' members; and (b) the marketing and manufacturing on a co-operative basis of products from such fruit."

And so it is with the Royal Commissions on Maritime Claims, 1926, Sir Andrew Ray Duncan, Chairman; the Report of the Royal Commission on Investigating Fisheries through the Maritime Provinces 1928, A.K. MacLean, Ottawa, Chairman; the Report from the Royal Committee, Provincial Economic Committee, Nova Scotia, 1934, Professor John Barry Jones, Chairman; and the Royal Commission on Price Spreads in 1935, W.D. Kennedy, Chairman. All of these have similar comments relative to the importance of co-operatives in the fields then being investigated.



IX - Investigation Limitations: The terms of reference limit the inquiry by the Commission to the actual price spreads as between producer-consumer in agricultural foods and fishery products, but it should be recognized that the cost of vocational goods for the agricultural industry, or for fisheries, may be excessive and when so has a material effect on final prices and price spreads of the resulting food products.

It would seem that we cannot escape the fact that the cost of such vocational goods as fertilizers, machinery, including rubber goods for autos and tractors, rope, paint and building materials, concerning some of which a series of investigations has disclosed collusion in maintaining higher prices for such products than the public interest warrants has had a detrimental effect on the primary producers income. We would claim, therefore, that, while the scope of this present inquiry does not extend into these supply fields, what happens in those fields is very important to the economics of agriculture and fishing and the resultant cost of food products.

Summary: I. Cattle bring less money to producers, while at the same time retailers and consumers pay more for beef, and there is a deficiency of production in relation to consumption of cattle and beef in the Maritime provinces.

Recommendation: In view of the margins being



maintained by the trade as between Maritime and central Canada on cattle and beef prices and as these are protected to a considerable degree by transportation costs if cattle are shipped out, all forces interested in the welfare of producers and narrower spreads need to combine to assist the co-operatives to enroll the volume of stock that will permit of erasing these undesirable spreads.

(2) These references are to the divisions in the brief.

II. Co-operatives have modified price spreads in dairy products distribution, but each organization is subject to the commission price ruling that applies to their area in whole milk. The contention is that further narrowing of milk distribution spreads requires a greater degree of consumer co-operation than is usually present.

III. Egg marketing - Trade margins may tend to be too wide on occasion and co-operative effort by and on behalf of the producers is helpful in correcting this tendency.

Recommendation - II and III: Consumers should be encouraged to study and join the co-operative movement and through that medium work as a group for greater efficiency or/and less waste in the distribution processes.

IV. Co-operatives help to reduce price spreads by:



1) The individual members thereof retaining control of the various steps of commercial organization into the marketing or merchandizing fields;

2) Returning to the individual members in the form of patronage dividends any surplus over the cost of doing the business involved;

3) Extending this beneficial influence beyond their own membership so that all those working in any line of business will share the benefits.

Recommendation: Co-operatives should have the benefit of full and unprejudicial access to the supplies of industry and should have the protection of a Federal Co-operative Associations' Act based on proven co-operative principles and practices in order to influence further the narrowing of food price spreads, while maintaining, or endeavouring to maintain, reasonable and adequate returns to the primary producer.

V. Packing, advertising and give-aways increase price spreads. The co-ops endeavour to modify or correct any undesirable influences involved in pressuring consumers, and to reduce duplication by the use of their own co-op brand.

Recommendation: The educational forces available to the Government, such as C.B.C. and National Film Board, should be used to the fullest extent possible to promote sound consumer education on product knowledge and economy and efficiency in buying.



VI. Co-ops believe the income tax regulation re 3 per cent operating capital is undesirable and prevents the full allotments of surplus to those patrons who through their business made that surplus possible.

(Income Tax Regulations Section 75(3)).

Recommendation: The 3 per cent operating capital clause restricting the distribution of patronage dividends should be withdrawn.

VII. The favourable influence of co-operatives on margins or price spreads is not or cannot be confined to their members.

Recommendation: Information only.

VIII. Royal Commission Reports support co-operatives and indicate their desirable influence on business and business margins.

Recommendation: Information only.

IX. The cost of vocational goods, though outside the scope of the inquiry, may have a considerable influence on producer costs, middleman margins, or price spreads.

Recommendation: That recognition be given to the importance of the cost of vocational supplies used by primary producers of food. The objective should be the improvement of the efficiency and economic position of these producers and at the same time to supply the consumers without undesirable exploitation.

In conclusion, we again wish to express the



appreciation of the co-operative people involved in the presentation of this brief for the opportunity to do so, and we hope that the whole Commission effort may prove most beneficial to the people who pay whatever price spreads there are.

THE CHAIRMAN: Thank you Mr. McEwen. Mr. MacKichan has a few questions he is going to ask you.

COMMISSIONER MacKICHAN: Just a few questions Mr. McEwen. Possibly, though your brief is quite clear, probably you might give us quickly and briefly just the physical and constitutional set-up of Maritime Co-operative Services. You will notice that I use the word "briefly". I don't want to limit you beyond being clear, but possibly you have some other dates to meet.

MR. McEWEN: I think that particular paragraph in the brief indicated the Maritime organization is composed of merely a federation, a shareholder federation of a couple of hundred or more co-operative organizations in the Maritime provinces, and as indicated also, these local co-operatives get their membership of individual people, they in turn federated with the Maritime organization to do jobs that they figured they could do better in a bigger field, and then across Canada -- we are only treated as one province down here, the Maritimes with the other provinces across Canada are federated into Provincial Co-operatives Limited to get the national set-up. Is that what you had in mind?



COMMISSIONER MacKICHAN: That is good. Your control?

MR. McEWEN: The control as far as our organization is concerned, there is no co-operative association act, Federal co-operative association act, and since we were overlapping more than one province, we organized under the Canadian Companies Act with certain co-operative features written into the constitution. We are therefore operating under the Joint Stock Companies Act, and the control is through the shareholder members, it is one member, one vote plus, in the case of a bigger organization, they can have a delegate representation up to a limit of five.

COMMISSIONER MacKICHAN: I think that clears that.

THE CHAIRMAN: What actual services do you perform?

MR. McEWEN: The fields in which we operate while we are in both marketing and consumer fields, Mr. Grant, who is with me, is in charge of marketing division which is referred to in the livestock in this report, in the marketing of livestock, and certain workings with the Co-operative Wool Growers in the marketing of wool. The Wool Growers is the main body, that we perform some services for in the Maritimes, and in what we term the vocational supplies or consumer field we manufacture and distribute feeds, and back to obtain supplies, fertilizers and feeds,



and things of that kind for agricultural people, and operate a grocery wholesale for the consumer field. Broadened out plenty, we are in the insurance business too.

COMMISSIONER MacKICHAN: Probably a word on that feed ~~mixing~~ business, as we are running into grain in the West, the suggestion, along with other remarks there, you might comment on the suggestion that we might have a two price, one price for domestic and one for export.

MR. McEWEN: Well incidentally we don't like that idea. We encounter some problems in that particular field in that there is an export rate on the grain -- this is feed grains we are thinking of -- whereby the grain can be moved to a Maritime port for about half what it could be moved to the same port for domestic use.

That is because there is a surplus of grain and they have to get it out of the country in order to move that surplus. We do not want to quarrel with that too much, but nevertheless it means that we cannot at any time develop the use of that product and compete with people who are buying it in the overseas market. We cannot produce beef or mutton or anything else and compete with that because the other fellow is buying his feed grain cheaper than we are.

THE CHAIRMAN: I think I should point out that



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Mr. McEwen

in the particular representation we have referred only to wheat for human consumption.

MR. McEWEN: Well we are consumers down here too.

COMMISSIONER MacKICHAN: The services that you render in the mill feed business; have you a word about that?

MR. McEWEN: Well, when you say mill feeds, I take it it is feeds for the livestock industry or poultry.

COMMISSIONER MacKICHAN: Yes.

MR. McEWEN: This organization, as has been noted, is owned by its sharehold members and it gets right down to the people who use these products. The result is that we treat it as our responsibility to produce the best foods we can and get them distributed as economically as possible and we are endeavouring to fill that field as best we can.



Incidentally, that part of our business is the biggest volume item we get. That is the big end of our grain materials, which is a big item, comes from the West, and then the other items, such as protein feeds or the by-products and so on, that go into that, they come from wherever we get them. A considerable amount of fish meal, a considerable amount of meat meal as well as vegetable proteins.

COMMISSIONER MacKICHAN: You have modern equipment to handle those products.

MR. McEWEN: Yes. Many people would be more interested in seeing that than the food show, I think.

THE CHAIRMAN: Do you approve of the Freight Rate Assistance Act?

MR. McEWEN: Yes, we do. Freight rate assistance on feeds?

THE CHAIRMAN: Yes.

MR. McEWEN: Well, to us, that gives us a sort of equal break pretty well with the rest of Canada in the production of animals. We have to -- I think this is a fair statement -- bring any fertility in one form or another, either as chemicals or as feed. As long as the West is exporting its fertility, we want some of it.

COMMISSIONER MacKICHAN: There is a common expression that you cannot have it both ways, but in the West one of the briefs indicated that under



certain types of business you could have it three ways, but here you seem to be able to do something about having it two ways, standing in between the producer and the consumer, and distributing to both sides.

When I was reading the brief I made a note at page 2 there. I think we will leave that until we get over to where you indicate the spreads are, and on the narrowing of spreads. From page 2, 3 over to page 9, at the middle of page 9, I am going to demonstrate that this Commission is very co-operative in dividing the work of questioning, and the honour of asking questions. One of my colleagues will take that section on beef and eggs.

When we go over to page 9, about the middle of the page, we come to this distribution of inter-graded co-operation that you have here. Would you make some comment on these next two pages?

MR. McEWEN: Under the heading "Co-operatives reduced price spreads"?

COMMISSIONER MacKICHAN: That is right, yes. Now we are really getting into where we are interested here.

MR. McEWEN: Well, there is considerable detail in the paragraphs there as to the structure and we followed through from the individual people, who are the owners of this structure -- we followed through as to how they can participate in the earnings of the organizations; how they can retain control



and participate in the earnings regardless of how high--
if I might use that term -- the structures goes.

I have illustrated there for example, only
the Inter-provincial Co-operative at the national
level. We are also a member of the National Co-
operative in the United States. There was a return
from there as well. We handled certain products
for the National Co-operatives, which is an organ-
ization somewhat similar to the Inter-provincial, in
the United States. We are a member of that organ-
ization, and there was a return there, which all
helps, and it gives in the final analysis, the returns
given to the people who use the product.

In the case of National Co-operative it is
appliances largely and milking machines.

COMMISSIONER MacKICHAN: Now, you would agree,
of course, that there are legitimate charges and un-
avoidable charges in all these processes?

MR. McEWEN: Well, there are middlemen
services to be performed. You have to -- you cannot
perform them without a cost.

I think our contention would be that it is
not a case of eliminating anybody in there, but
controlling them.

COMMISSIONER MacKICHAN: And reducing costs
to essentials.

MR. McEWEN: That is right.

COMMISSIONER MacKICHAN: Now, page 11, would



you consider that I was making the understatement of the year if I were to say you do not entirely approve of the fancy packages and all that sort of thing?

MR. McEWEN: Well, there is a tremendous amount of confusion can get into that. Certainly the package is popular. I think that it is definitely overdone. I think that the buyer is to quite an extent victimized because they do respond to a type of packaging and I think that there is a real need for giving a good package, and a useful package and attractive package, and still eliminating quite a bit of the superlatives that are there.

COMMISSIONER MacKICHAN: Under income tax in co-operatives, I realize that the wording is legal and all that, but you made it pretty clear, boiling it down. In another brief presented to us, the statement was made that co-operative are using this escape mechanism to avoid paying income tax.

MR. McEWEN: Well, it is not an escape mechanism at all. Co-operatives were designed to perform business at cost, and if funds are in their hands, and accumulated and distributed to the people that use the goods and services -- if it is a producer he gets that money. He has to include it in his tax statement. If it is a consumer he has already paid taxes for it, if it is a grocery item or something like that. If it is vocational goods,



he has to respond to that as income tax.

COMMISSIONER MacKICHAN: It is a tax dividend on marketing, and goods marketed which is all he has to declare in his income tax return.

MR. McEWEN: That is right. If the co-operative is dealing with non-members, and does not distribute the surplus, that is taxed. They are just as subject to tax as any other business. In fact, if any other business wants to follow the same course as the co-operative, they can distribute their surpluses. They have to declare their intention to do so.

COMMISSIONER MacKICHAN: By an advertisement.

MR. McEWEN: Yes. They can follow exactly the same course so there is no special privilege involved. In fact this 3 per cent item we consider is a little bit of a special privilege the other way.

COMMISSIONER MacKICHAN: You just cannot reduce your surplus **beyond** 3 per cent of employed capital at the beginning of the year.

MR. McEWEN: Yes.

COMMISSIONER MacKICHAN: What is the percentage of non-member business?

MR. McEWEN: Well, our non-member business takes down the distributed surplus. You have to pay taxes on it before you would distribute any of it.



COMMISSIONER MacKICHAN: And now, in the latter pages you have enumerated the suggestions on Royal Commissions through from 1926 to very recent dates, you have quoted the names of the various people that took part in those commissions, and I hope when our children's children are revealing events in years to come, I do not expect that price spreads will have departed, and this Commission will have its nitch in that catalogue of fame of famous people.

Over on page 19 on the last paragraph of recommendations you mention that the objective should be improvement of efficiency and the economic position of those producers, and at the same time to supply the consumers without undesirable exploitation. I was wondering whether there was any exploitation that you figure was desirable.

MR. McEWEN: You know what Barnum said?

COMMISSIONER MacKICHAN: I think those are all the questions I have, Mr. Chairman.

THE CHAIRMAN: Perhaps Commissioner Drummond will ask some questions about beef cattle and egg sections.

MR. McEWEN: I would like Mr. Grant to take that because he is working with that more closely than I am.

COMMISSIONER DRUMMOND: Perhaps Mr. Grant, you might begin by giving us a brief outline of the arrangements under which you undertook to handle livestock including beef cattle? I am referring



specifically to your marketing board arrangement, and perhaps we should be clear on that before we talk about the details.

MR. GRANT: Well, Mr. Chairman, probably I should begin by saying there are approximately 70 live-stock shipping clubs scattered throughout Nova Scotia and New Brunswick that have been functioning, many of them since 1927, and some previous to that when the organization was set up. The livestock comes to us through these groups, the farmers in each area set up their own local group, and we act as a central selling agency, hogs, lambs, calves and cattle are all handled in varying degrees, and also as I have mentioned some other products have been marketed from time to time. In so far as marketing boards are concerned, it is a relatively recent innovation and it is confined strictly to hogs in Nova Scotia and in New Brunswick. I should point out that our organization does not operate in Prince Edward Island. The Hog Marketing Board was set up in Nova Scotia in 1951, in New Brunswick in 1952 -- I may be a year or so out there, because I am speaking from memory, but it was about that time. We are acting as a marketing agency for the Hog Marketing Boards both in Nova Scotia and New Brunswick. As far as other kinds of livestock are concerned, there is no marketing control on them in any way.

COMMISSIONER DRUMMOND: In acting as the



central selling agency, in respect of hogs, I presume the central objective there is to get into a position where you can direct the last hog into the most remunerative channels, that is, to the highest paying buyer?

MR. GRANT: That is correct, and with the shortest haul, and maximum car lots or truck lots so as to avoid repetition of expense along with crop killing as well.

COMMISSIONER DRUMMOND: How many buyers are there in that area?

MR. GRANT: Well, the Hog Marketing Board is not attempting to work with relatively small buyers; in fact, our organization did not when it was functioning prior to acting as agents for the Board, we confined our selling pretty well to the larger packing plants and the larger killing plants and largely that is two large packing plants and one or two smaller ones, and a municipal abattoir in Saint John where selling is done to several people.

COMMISSIONER DRUMMOND: So you do have several alternative outlets?

MR. GRANT: Oh, yes, and of course when occasion demands, we have moved outside the Maritimes.

COMMISSIONER DRUMMOND: Would that be fairly regularly or is that the exception?

MR. GRANT: Moving outside?



COMMISSIONER DRUMMOND: Yes.

MR. GRANT: Well, when there was a price spread and prior to the time that we get control of a substantial percentage of the hogs we were forced to move a good many hogs out of the Maritimes. That is still true as far as cattle are concerned, but it is not as far as hogs are concerned, because we have been getting as high a price in the Maritimes as in any part of Canada.

COMMISSIONER DRUMMOND: That to me is a very significant thing, you are getting generally speaking as high a price for your hogs here as elsewhere but that does not apply in the case of beef?

MR. GRANT: Very definitely not.

COMMISSIONER DRUMMOND: What would say was the main explanation of a different result?

MR. GRANT: Well, that could be a long story. Probably we had control of a large percentage of the hogs prior to setting up the boards because the Provincial Department of Agriculture had not put a quality bonus on, and it was only paid when the hogs were shipped through a local farmer's shipping club, and prior to the setting up of boards that drew almost 100 per cent, 95 per cent of the hogs to the shipping clubs, so that we did not have when the boards were set up. It was a matter of continuing that program. As far as cattle were concerned, there was nothing of that measure attempted, and



and it would not be easy to do it because there is such a wide range of quality in cattle, so that type of thing was not attempted at any time, and our organization all through the years never had control or the marketing of anything beyond perhaps 10 per cent, 15 per cent or 20 per cent of the cattle.

COMMISSIONER DRUMMOND: Would you think, put it this way, in the case of hogs, the quality of your hogs compares very favourably with those in any other part of Canada, very favourably I would say, but in the case of beef on the average would that be true?

MR. GRANT: Oh no, it is not true with beef, but at the same time you can take the grades that we do produce, and the price is still low. For instance the commercial or today the standard or the "C" grade, the price on that grade is still substantially low on the market.

COMMISSIONER DRUMMOND: In respect to the deficit for the whole Maritimes say in respect to red meats, what is the deficit in the case of hogs compared with the deficit in the case of beef cattle?

MR. GRANT: I haven't the figures on the hogs right here, but I expect it is not much different from cattle. It is about I think -- we produce 48 per cent for our requirements in beef, and I think that likely hogs are about the same, or they could be greater.



COMMISSIONER DRUMMOND: On page 2 you speak in the second paragraph in respect to the cattle beef story here. "During the early portion of the shipping time, there was the unusual occurrence of having price advances in the Maritimes, due, we believe, to these shipments being made, while Montreal had declines as can be noted in Table I." The word to me that is significant is the word "unusual". I just wondered how unusual that is.

MR. McEWEN: That is coupled with the drop in Montreal at the same time.

COMMISSIONER DRUMMOND: It was. Is there anything further you would like to add there?

MR. GRANT: Yes there is this one point, that refers to the period in 1951 when we first began to move livestock to Montreal. I have a statement here showing the individual animals in some 25 or 30 cars of livestock which went out with the dressed grade, and all the details in Montreal and the price differential and all the rest of it, and the reference that is made there is to the effect that on the first car we moved out, for instance, there was approximately \$900 additional revenue received on that. We had to pay about \$200 extra for freight, so we had about \$700 to be paid back to producers.

We went through the next two months following that, and we shipped something like 25 or 30 cars, and as mentioned here in the case of



the drop in the market in Montreal we were on a rising market because these cars were going out and getting some publicity, and that is what is referred to, so that towards the end of the period instead of having \$900 gross over at the time, we just had about the freight over, so that kept expanding and contracting.

COMMISSIONER DRUMMOND: The fact that you sent out 26 cars in this relatively short period, would that not have an adverse effect on the volume situation in the Maritime plants?

MR. GRANT: It would have some. Publicity would do more than that, because that would be a very small percentage.

COMMISSIONER DRUMMOND: It would. In any case, there was a desire to try to prevent --

MR. GRANT: Oh yes.

COMMISSIONER DRUMMOND: -- all of the stuff going to Montreal. The reason I was concerned about that statement was this; that throughout the brief you stressed the beneficial effects of co-operative action by means of returning the dividends and so forth. I am thinking also of the purely competitive effect, possible effect on the price, whether it is paid by your organization or any one else due to the fact that you are inclined to operate in competition. I wondered how this figured in.



MR. GRANT: I think the crux of the thing is in so far as hogs are concerned, we had volume through the method which I described which we have never been able to get in cows and cattle. In fact what we mention here, the spread of cows is even wider than cattle.

COMMISSIONER DRUMMOND: On this whole matter of volume, I notice you mention towards the end, I think it is on page 17 near the top where you stated that:

"In view of the margins being maintained by the trade as between Maritime and central Canada on cattle and beef prices, and as these are protected to a considerable degree by transportation costs, these cattle are shipped out, all forces interested in the welfare of producers and narrower spreads lead to combine to assist the co-operative to enroll the volume of stock that will permit the erasing of these undesirable spreads."

Now the point I am concerned about is the significance of volume. I am wondering whether or not the lack of volume has been a factor in several ways. Might it have had something to do with the transportation rates charged for one thing? Would that be possible?

MR. GRANT: Well, if you can get a carload



of cattle your transportation is -- if you only have 10 head or have a car you are in trouble, but it is not, it should not be a major problem to get a car. The problem is to get car lots at one particular loading point, but once you get the carload transportation charges, you can't get them any lower.

COMMISSIONER DRUMMOND: What about this other point where you state that the prices charged for beef products here in the Maritimes are higher even though it is a deficit area? Would this price be higher partly because the wholesalers and retailers that handle those products have not sufficient volume?

MR. GRANT: The percentage which has to come in from outside the Maritimes would naturally have to sell at Montreal plus freight. I expect that there are some costly methods of accumulating cattle here which can also make -- a good deal of buying is done with small trucks going from door to door. It is a very expensive system, and I might add why producers put up with it, but that is a matter of education which we have not been able to counteract.

COMMISSIONER MacKICHAN: You run into that in the big producing areas in the West too. The same thing exactly.

COMMISSIONER DRUMMOND: Now on page 5 you summarize the experience in connection with marketing



in beef, and state two illustrations, two points, first "The gains on behalf of the producer as made by the co-operative's activity, and (2) the margins that still prevail and that co-operative organization as now existing, has not been able to eliminate." I am thinking about number two, the margins that still prevail. Have you any thought on how those might be eliminated? Is there any further action along co-operative lines that would prove helpful?

MR. GRANT: Well we certainly are doing our best I hope to encourage producers to provide us with volume to do these jobs. One of the problems is, and I expect that you meet this wherever you go throughout Canada, that farm people are isolated and it is not easy to get them to work together. They work alone largely, and that is their vocation. When it comes to labour people they work closely together and industry is concentrating in the larger areas so that either labour or industry can get together much easier than rural people, so that is one of our major problems in getting a better understanding of the problems.

COMMISSIONER DRUMMOND: If you had that better understanding your feeling is that a lot more farmers would voluntarily decide to market through your organization?

MR. GRANT: Oh yes.

COMMISSIONER DRUMMOND: And it would give



you the increased volume, give you the extra bargaining power.

MR. GRANT: Here we have on the 6th of April standard beef the best price we have been able to get in the Maritimes is \$36.75, and yet on the Montreal market it is selling for the equivalent of \$41.98, and certainly if producers understood that properly they would naturally want to get the higher price, and particularly in view of the fact that we are in a deficiency area here we certainly feel we are entitled to it.

Now the problem is that there are a great many more other people doing educational work in their own particular line than they are doing educational along our line, so you have five or ten other types of people contacting producers direct, and putting across their particular type of educational program which to date has been more effective than ours.

COMMISSIONER DRUMMOND: On this general matter then, it is your contention that the same grade of animal normally sells for considerably less, very considerably less at Maritime plants than in Central Canada? What do you feel are the reasons for that? Is it a matter of insufficient volume in processing plants here? Is it a matter of lack of competition between the buyers here or is it a combination of things?



MR. GRANT: I expect that people have grown up to be used to the patronizing collection system which is very costly and very expensive.

I suppose that the packing plants have to lend themselves to that too, and generally the cost of collections are much higher than they need be; but at the same time there is a lack of understanding on the part of the producers as to values, and buyers are skilled, and largely the smaller producers are not skilled in appraising values, so that therefore the scales are largely unequal in that respect, and largely our producers to quite an extent are small producers.

COMMISSIONER MacKICHAN: As "buyers", you have in mind what we ordinarily call drovers.

MR. GRANT: Yes, farm to farm.

COMMISSIONER MacKICHAN: Farm to farm drovers.

COMMISSIONER DRUMMOND: Have you any idea how the general operating costs of packing plants in the Maritimes compare with those say in Montreal or Toronto; in regard to labour costs and things like that?

MR. GRANT: I would not have very much information on that.

COMMISSIONER DRUMMOND: You feel in general they would be lower?

MR. McEWEN: Well, I would expect that they would get perhaps more work done here, I don't



know -- and perhaps the general scale of wages would be somewhat lower.

COMMISSIONER DRUMMOND: I was wondering about what packer costs might account for the higher processing costs. The only one I can think of is a smaller volume. Do you think that is significant?

MR. GRANT: Well, a good many years ago I expect that the volume that they had in the plants here was a very serious handicap. If I were just to hazard a guess, I would say the volume today should be, with home butchering dropping off greatly -- the volume should not be a handicap in that respect, a serious handicap, because after all when you get beyond a certain size I expect your efficiency does not increase accordingly.

COMMISSIONER DRUMMOND: Exactly. The argument would be the packer would say my plant here is so much smaller than my Montreal plant, and consequently I cannot get the economies of scale. Therefore I can't pay as high a price for my raw materials, for the live animal here. That is the point. I was wondering about the soundness of his contention.

COMMISSIONER MacKICHAN: It is a fact here that the plants have been considerably enlarged since they were first built, very substantially enlarged, and no doubt enlarged in the light of products being available.

COMMISSIONER DRUMMOND: Well, in acting as



a central selling agency, you undertake, as you have indicated to direct the animals to that plant which will minimize transportation costs, and which will give the best price at the time and so forth. Do you actually negotiate the price on behalf of the members?

MR. GRANT: It is handled differently with different types of livestock.

As far as hogs are concerned, it is definitely on a negotiated basis, but with other kinds of livestock it is the taking of definite bids. With hogs we have found it is preferable to negotiate the price and keep our eye on the Montreal market, which is the highest in all Canada.

When it comes to other livestock, we are not in as strong a position. About all we can do is take our best bid we can get, and if we don't like it, and we have volume enough we move out.

COMMISSIONER DRUMMOND: As far as your attempt to secure a better average price is concerned, you get that partly through your special ability to negotiate and partly through the fact that you have some control over volume, you to that extent increase your bargaining power.

MR. GRANT: Yes. It is all in negotiations.

COMMISSIONER DRUMMOND: I notice at the top of page 6 you say "The fact that the Maritimes is a deficiency area in beef production, and in most meats,



emphasizes the unfair price spreads that are being maintained as between this area and Upper Canada." Would you like to enlarge on the meaning of the word "unfair"?

MR. GRANT: Well, our meaning there was that in as far as producers are concerned, they are getting substantially lower than the large consuming centres, while beef coming in is being charged freight plus to the consumers and our producers are in a very unhappy position in that respect despite the fact that we are only about 50 per cent deficient.

COMMISSIONER WALTON: Would grading have some effect on that?

MR. GRANT: That would be grade for grade.

COMMISSIONER DRUMMOND: The same thing pretty well. Leaving the livestock picture, I had one or two questions relative to the dairy products situation and the egg situation. With respect to the dairy products you mentioned that the spread in eggs and whole milk is quite different in these four markets varying from a high of 9.05 cents in Halifax to 6.45 cents in the case of Charlottetown. Just what is responsible for these variations in spreads? Is it the size of the market; the number of distributors or what is it?

MR. McEWEN: Well, I can't say that I can answer that to be sure that I am right. The



Commission in each area, in each province considered the conditions in the particular section that is being reviewed, and come to some understanding and the Commission sets that rate for that area, which is the margin left for the processor to handle, between the producer's price and the price set to the consumer.

COMMISSIONER DRUMMOND: Do you think the actual size of the market has anything to do with the width of the spread? Halifax is the highest one here of these four and Charlottetown is the smallest.

MR. McEWEN: Yes, well the record actually for that particular item was taken from this publication of the Dominion Bureau of Statistics, and we just wanted to have it recognized that there were those differences in these different areas. I do not know that I can indicate what the basic reasons are, I think probably the Island would have a lower labour cost ratio.

COMMISSIONER DRUMMOND: The difference is substantial, and I just wondered if there was a fairly ready explanation. It could be a number of things, the difference in the number of distributors the difference -- well, a lot of things. You mention in the next paragraph that it is not possible to reduce the cost of processing, and you also say that to cut delivery costs would require



a degree of consumer co-operation not now present.

Under what circumstances might it be present?

MR. McEWEN: Well, personally, I think if the consumers were organized from the consumer's angle not for just milk alone, but for other things more definitely than they are, I think that angle of distribution, the cost could be lessened materially, but there is quite an individual demand that sometimes you could hardly treat as reasonable, and you have to service them or lose their support and patronage.

COMMISSIONER DRUMMOND: It would indicate that as things are, the average consumer is willing to pay whatever the spread is, rather than be deprived of these particular things.

MR. McEWEN: I think it is fair to say in a good many cases where a whole group is responsible for what happens, it might be the big percentage of the group is good, but there are just enough of the others that you cannot do a thing the way you would like to do it in the group.

COMMISSIONER DRUMMOND: You mention somewhere in the brief here that the creamery operations in the province are very considerably done co-operatively. Is the major part of the creamery business done co-operatively?

MR. McEWEN: In New Brunswick I think it is, the major part, yes -- that is not all of it,



but the major part is co-operative.

COMMISSIONER DRUMMOND: Home operated distributing plants --

MR. McEWEN: Yes, the organization at Moncton distributes milk, the organization at Fredericton, at Newcastle, that is the Northumberland Creamery, the organization at Sussex which is not organized under the Co-operative Association Act is in the picture, and they are all quite important in the business.

COMMISSIONER DRUMMOND: Is your general feeling that the co-operation has gone about as far as it could advantageously go in the whole dairy market field in the province?

MR. McEWEN: We never admit it is that good, no. It has gone further in that particular field in New Brunswick in the creamery end of it than the dairy, the milk.

COMMISSIONER DRUMMOND: You also say that so far the use of the larger containers is not popular. You have done some experimenting with them, have you?

MR. McEWEN: I would like to explain to the Commission that Mr. Frank MacDonald the manager of the creamery dairy at Moncton was really much better on this, but he got tied up in the food show, otherwise he would have been here, and he could give you the details probably better than I can. However, what was your question again?



COMMISSIONER DRUMMOND: You mentioned here that sales of milk in one-half gallon or gallon containers is not popular at this time.

MR. McEWEN: Well, I would say most of the investigation that has been conducted was more on an inquiry basis, and what has been encountered elsewhere in their contacts, and I know that this is the conclusion that Mr. MacDonald came to, that there was not the demand there at the present time that would warrant making a switch over. It would be just adding another department to the field if you tried to handle it, and would not have a distribution.

COMMISSIONER DRUMMOND: You still deliver milk in this province six days a week, is that right?

MR. McEWEN: I think that is generally true.

COMMISSIONER DRUMMOND: No suggestion of five day or every other day?

MR. McEWEN: That has been looked at.

COMMISSIONER DRUMMOND: Tradition dies hard?

MR. McEWEN: Well, I think that is it. I did refer to the fact that there is a consumer reaction, and a labour reaction which is definitely, I suppose as you say, tradition.

COMMISSIONER DRUMMOND. Just one question in respect to the egg market. Table VII indicates the savings which you say have been effected or can



be effected by some co-operative route. I take it that that saving is the result of selling directly to the retailer largely, is that correct?

MR. McEWEN: Well, again I am a bit on the spot, and I have a lot of things to blame this morning on the food show, but Mr. Cowterthwaite of the Capital Co-operative was in on this, and had he been here I think he could have taken up the detail much better than I can. I think your assumption is what is given here.

COMMISSIONER DRUMMOND: On the top of page 9 you say:

"During the past year, we continued our marketing policy of selling as much of our production as possible directly to the retailer to try and minimize the spread between the price paid to the producer and the price paid by the consumer."

MR. McEWEN: Yes, that is their course of action.

COMMISSIONER WALTON: Just as a matter of curiosity, you have retail co-operative stores or is it just wholesale within the province?

MR. McEWEN: Yes.

COMMISSIONER WALTON: And I understood you to say that there was a power to advertising. Do you advertise yourself in any form?

MR. McEWEN: May I make one point clear,



these co-operative stores are the base of our organization. We do not own them. They own us. So they are economists in their own right, and they pretty much do as they like, but there is a certain degree of working together. Yes, we do some advertising, but it is actually the policy of our particular organization as laid down, I do not know whether we observe it 100 per cent, but in the main it is observed, that the responsibility is to educate the consumer. We do not advertise or try to avoid advertising in a competitive way. Our argument is if you can buy somebody in, somebody else can buy them out.

COMMISSIONER WALTON: That is not what I mean. To educate the consumer, perhaps it may be advantageous to advertise, and get the additional volume.

MR. McEWEN: There is some activity in that field. We try to emphasize the selling of the idea, and the idea we think will sell the goods.

COMMISSIONER MacKICHAN: Do you cite your advertising in the Maritime Co-operative?

MR. McEWEN: Yes, we maintain advertising on behalf of the whole co-operative structure in the co-operative paper. That is a regular thing.

COMMISSIONER WALTON: Thank you.

THE CHAIRMAN: Thank you, Mr. McEwen and Mr. Grant for coming here this morning. We have



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- 1807 -
Mr. McEwen

another brief this morning, and we will take a short recess before hearing the Canadian Association of Consumers.

MR. McEWEN: Thank you very much for your having us and listening to us.

--- Recess.

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--- Upon resuming.

SUBMISSION OF
NEW BRUNSWICK BRANCH
CANADIAN ASSOCIATION OF CONSUMERS

Appearances:

Mrs. V.E. Falkjar	President
Mrs. L.W. Bagnell	Vice-president

THE CHAIRMAN: We will now receive the brief from the Canadian Association of Consumers, New Brunswick Branch. We have present Mrs. Falkjar, Provincial President; Mrs. Bagnell, Provincial Vice-President.

We will consider the brief of the Canadian Association of Consumers as Exhibit No. 38.

EXHIBIT NO. 38: Brief of the Canadian Association of Consumers.

MRS. FALKJAR: Mr. Chairman, members of the Royal Commission, it is a great pleasure for us to be here today even on the short notice we gave you, and you accepted us and we appreciate it very much. I don't know if you are familiar with the C.A.C., but I gave you little fliers, and if you read those you will know about C.A.C.

I would like to introduce Mrs. L.W. Bagnell who will read the brief from the Provincial Branch of the Canadian Association of Consumers.

THE CHAIRMAN: Thank you.



MRS. FALKJAR: If the word "just" be taken as meaning exact, such as "just" balances when the two sides are in exact equilibrium, what sort of economy would there be when in determining price and wages the word "justice" is eliminated in its true ethical sense and how can it give any solution to the problems of high price and remuneration of labour. In the Treaty of Versailles, Article 427, "labour should not be regarded as a commodity or article of commerce". They meant that labour conditions cannot be treated solely by the principles of pure economy. When the Governments of every country endeavour to limit the rise of prices and lower the cost of living, this is because they believe that there is a conception of a just price which stands above that evolved from the blind caprice of the law of supply and demand and that this higher law ought to prevail.

Presuming that in its wisdom the Government of Canada is endeavouring to achieve a better standard of living for its people, we will note a few points for investigation by government agencies.

The farmer's share of the consumer dollar from figures given in "The Economic Annalist", June 1957, Department of Agriculture, Ottawa:

Eggs	- Grade "A" large	\$.74
Fluid Milk		.52
Creamery Butter		.77
Blue Brand Beef		.57
Pork		.51
Chicken		.51
Potatoes		.41



But the astounding fact is that the following list of products with the producer return together with the date the prices are effective, came from the Department of Agriculture for the province of New Brunswick.

Eggs - Grade "A" Large	- .46; .48	March 17th
Fluid Milk	- \$5.00.	March 25th
Blue Brand Beef (cwt)	- \$37.75.	March 25th
Pork (cwt)	- "A" \$29.75; "B" \$28.75.	March 25th
Chicken	- .50; .35; .33.	March 17th
Potatoes	- \$4.00 to \$4.25 per bbl.	March 14th - 21st

The fact that these figures are so contradictory points up most clearly that our sources of information are woefully lacking both in accuracy, standardization and scope.

This is our first recommendation. A statistical governmental force should be empowered in each province to gather specific information within a specific time span on how every cent is spent that makes up the gap between the price paid the primary producer of a marketable object and the price paid by the ultimate member of society who destroys the marketable value of that specific object, namely the consumer.

For example, the period of study could be the month of September; the object of study ten items which would be the staple produce of a province; the members would be divided into urban and rural investigators working as a team.

An alternate period chosen could be the



producing and packaging period of each item under investigation. We believe that the parties involved, if acting in good faith toward the community, would welcome such a study because the results would be a cost accounting statement prepared by experts, that probably few, if any, of the people involved could afford. The report, naturally, would be made available to all so that wastage could be eliminated. Such a report would also point out ways and means to save money.

We will develop the points in the following order:

1. Meat Industry

(a) Pork; (b) Lamb; (c) Beef.

2. Dairy Products

(a) Butter; (b) Fluid Milk.

3. Potatoes; Vegetables; Eggs.

4. Other Farm Produce.

Finally, we will submit two suggested proposals for lowering the cost of living, while maintaining the same standard of living.

Let us consider some of the primary products of our area connected with the meat industry.

"In terms of retail costs, red meats - (beef, veal, pork and lamb) - generally make up 25 per cent to 30 per cent of urban family expenditures for farm food products", according to Bulletin No. 741, a study of farm retail Spreads for Food Products, as



published by U.S.A. Department of Agriculture under date of November 1957. With the standard of living in Canada as high and with a very similar economy and way of living, we presume these figures would be practically the same here in New Brunswick.

1. (a) Pork: A full business for many farmers. An eight to twelve dollar investment in weanlings. An average period of about six months with tremendous investment of labour and feed purchased at retail prices; the risk of disease and death and finally sale to one of three buyers: Swifts, Canada Packers, or Burns, through the co-operative services in Moncton. The hogs are graded "A" or "B" at the prices for this year listed above. If a hog does not weigh 140 to 170 pounds dressed, which is about 200 pounds live weight or even if over 140 pounds and too fat, or for other reasons, then the hog is still Grade "B". The hog disappears into the maw of the pork industry for processing, packaging and distribution, but the consumers do not know when they buy pork whether it is Grade "A" or Grade "B", because the distinction for the public ceases, never to return, when the animal is killed. Where is our protection for our dollar? Most consumers are not butchers and cannot tell until the pork is eaten whether or not the pork is what they paid for.

Instinctively, to make the consumer happy, which is necessary for the good of the country



as a whole, there has to be a consumer's surplus which is, in economics, the excess which the purchaser of an article would be willing to pay over the price which he actually pays, rather than go without that article. Thus, "consumer's surplus" is an economic expression of the surplus satisfaction which a bargain yields to the purchaser. In the case of a good bargain there is a big consumer's surplus, as when a woman buys at a low price a fine dress for which she would willingly pay much more. For many articles consumers would gladly give higher prices rather than go without them.

(b) Lamb: Lamb production is not a major industry, but still provides a basic of no mean proportion. Comparative prices are not available but there are two points that should be investigated and, if our suspicions are correct, be remedied. The first is that the meat is not graded, and at times we are paying prices for prime meat when we are getting average or below average goods. The second applies as well to beef as it does to lamb, that is, we have no marketing board. Approximately eight years ago the producers in the pork industry discovered that the New Brunswick producers were being paid one to two dollars less than those throughout the rest of the country. This could be done because, being almost all small producers, they could not hold off indefinitely when a sub-national average offer



for their goods was made. They obtained approximately 96 per cent vote in favour of the establishment of a Board and the Government accepted the petition; the prices immediately rose to the national level and the over-all effect was a better standard for the producer, same prices for the consumer, but a drop in our area in the prices of the lesser items of farm produce, because of the increased income of the producers in their major product.

(c) Beef: Except in a few areas in New Brunswick, the production of beef for food is restricted to the slaughter of cows, who, through some disorder of the udder or other reasons, are unfit for the production of milk. However, the combined number of steers for beef and milch cows not in production give grounds to consider this industry as one of our primary productions that deserves consideration. To our provincial production economy add the high purchasing costs of graded western beef and we find something worthy of comment.

We attach herewith a statement covering the years 1950 to 1954, showing a comparison of whole-sale meat prices on the left-hand side of the sheet, while on the right-hand side are cattle prices which the farmers receive in different parts of Canada. As this shows very clearly, beef prices keep increasing across Canada, with the lowest points being in the West where beef production is the highest and where



consumption is the lowest. You will note that the Maritime price of beef is the highest in all Canada. However, on the other side of the picture, you will note that the Maritime farmers receive substantially less for their live cattle than do farmers in Montreal and Toronto.

Let the committee investigate this economic phenomenon and we consumers would be happy to have an explanation. We are constantly being told that there is a higher cost of living in Upper Canada than in the Maritime Provinces but here are prices from the Canadian Department of Agriculture and from the Dominion Bureau of Statistics which show that in one of our major expenditures for living, we are in a much higher bracket than in other parts of Canada.

2. Dairy Products.

(a) Butter: We have not on hand concrete data given by the medical profession on the relative merits of diets using oleo-margarine and butter. We have no comment as a group on the relative merits of each.

(b) Fluid Milk: A book could be written about the debates on this subject held in New Brunswick during the past 40 years -- e.g., on pasteurization, price, vaccination, inspection, butter-fat content, etc., but in every case the producer had to pay the price of the fight and the increasing legislation on his activities and increased capital



expenditure. A careful survey of the facts reveals that legislation has increased the cost of production to the farmer producer and reflected directly on us the consumers, but the intermediate party, the middleman or distributor, does not seem to have taken any responsibility for the added cost to the consumer.

First it is agreed that if every consumer had husbanded all milk bottles as carefully as the milk in them the price would be lower, yet we still would ask a question or two of the price spread from, at least in Saint John, 10 cents to 22 cents per quart.

1. Delivery of milk four days per week means a working day of 10 to 12 hours, but three days rest. So, would a deliveryman accept the same wages for such a proposition? We think he would. The benefit to the consumer is the lower price resulting from lessening of expenses arising out of depreciation of vehicles for delivery 33 per cent per year; 57 per cent use of gallons of gas at 44 cents per gallon - average route estimated at 20 miles per day at 8 miles per gallon - average breakdowns and mechanical expenses 30 per cent just to look at the surface and not counting collections, ledger entries on charge accounts and other savings in office work.

2. The greatest overlapping in the distribution of any of our primary industries. In our urban centres two or three dairies paralleling milk



routes over 40 square miles. We leave that with you because we are non-political and if we suggest what naturally occurs to us we would be accused of promoting monopolies, proposing socialism, ruining free enterprise and everything that detractors could lay their tongues to. It would be most interesting to know what our investigation group would discover about this situation encompassing a standard of constant middlemen price spread.

It must have been mentioned before to this commission, but we must repeat ~~that~~ delivery of milk **in** this age of refrigeration could be done in packages fit for a "frig", viz square or oblong and in one, two or three-quart containers. The distribution of primary products must keep pace with development in the fields of science, chemistry and conservation. We must remember that in the milk producers strike of approximately ten years ago, the distributors by radio broadcast announced that even if the farmers were paid nothing for their milk, they would yet have to charge 15 cents to the consumer per quart. Words said in anger, yes ... but indicative of a negative approach to what really is a consumer problem in economic survival ... particularly when even today the distributor gets but 12 cents per quart maximum.

These observations might sound strong and seem anti-middleman, but, bearing in mind that



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Mrs. Faljar

we propose an ultimate and basic thought and that
the producer and consumer for years have borne the
brunt of health and welfare legislation causing price
increases without the distributor proposing or
effecting one salutary remedy, we make bold to
criticize their attitude in the dairy field.

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DRESSED BEEF vs LIVE CATTLE PRICES

Date	Commercial Steer Beef Prices Wholesale to Retail				Live Cattle Prices Per 100 lbs. Alive, Med. Steer			
	Saint John	Moncton	Montreal	Toronto	Del. to Plant		Stock Yards	
					Moncton	Ch'town.	Montreal	Toronto
1950 average	.455	.461	.461	.450	20.70	20.57	24.41	24.49
1951	.563	.571	.571	.562	27.08	26.62	30.65	31.31
1952	.476	.488	.477	.468	21.10	20.58	24.37	24.18
1953	.379	.386	.369	.363	15.34	15.19	18.26	18.67
Jan. 1954	.370	.375	.350	.330	14.00	14.00	17.29	17.49
February	.350	.355	.320	.310	13.00	13.25	16.89	16.35
March	.355	.335	.320	.300	12.00	12.80	16.80	16.62
April	.345	.340	.340	.315	13.00	12.75	17.43	17.30
May	.375	.360	.360	.328	14.79	13.50	18.46	18.25
June	.385	.385	.365	.350	16.25	15.70	18.86	18.18
July	.430	.400	.405	.375	15.25	14.75	18.95	19.67
August	.390	.405	.375	.370	14.85	14.50	18.34	19.50
September	.380	.450	.365	.365	14.56	14.37	17.25	19.08
October	.350	.395	.340	.355	13.75	13.50	17.15	18.93
November	.350	.395	.355	.345	14.50	13.75	16.76	17.53
December	.350	.365	.355	.345	15.60	14.30	17.13	17.88
Average 1954	.369	.380	.354	.341	14.30	13.93	17.67	17.87

Live Cattle Prices from Canada Department of Agriculture, Livestock Market Reports.

Wholesale to Retail Beef Prices from Dominion Bureau of Statistics.



3. Potatoes - Vegetables - Eggs: We in New Brunswick, have no complaint about the price to the consumer of the above items. We feel protected by grading experts who are constantly exploring and examining all products with a view to helping the unknowledgeable public to buy.

The potato grading and egg weights inspectors are sufficient deterrent to any individual or group who attempt to defraud the consumer and at the same time these safeguards give the consumer the feeling that they, as wives and homemakers, are doing their duty to their home and their fellow citizens.

4. Other Farm Produce: The minor items of income for producers in New Brunswick are of no concern to the consumers, because we believe in any producer obtaining a living, and the fact is that the price to the consumer is fair and just. This leads us to one most important observation, a prelude to our synopsis of all our ills, not only in New Brunswick, but in the Maritimes as a whole -- that we are tail-end on income and heads-up on cost-of-living; the result is that we are the country cousins to the "city slickers" get rich quick gadgets, advertised in every luxury package on chain store, hardware or grocery shelves ... and commonly known as a gimmick either sales, advertising or goods.

1. The first part of the paper is devoted to a general discussion of the problem of the existence of solutions of the system of equations

$$F(x, y, z) = 0$$

where $F(x, y, z)$ is a function of three variables, and x, y, z are the coordinates of a point in space.

The second part of the paper is devoted to a study of the properties of the solutions of the system of equations

where $F(x, y, z)$ is a function of three variables, and x, y, z are the coordinates of a point in space.

The third part of the paper is devoted to a study of the properties of the solutions of the system of equations

where $F(x, y, z)$ is a function of three variables, and x, y, z are the coordinates of a point in space.

The fourth part of the paper is devoted to a study of the properties of the solutions of the system of equations

where $F(x, y, z)$ is a function of three variables, and x, y, z are the coordinates of a point in space.

The fifth part of the paper is devoted to a study of the properties of the solutions of the system of equations

where $F(x, y, z)$ is a function of three variables, and x, y, z are the coordinates of a point in space.



A good example of such a gimmick is illustrated by the question asked in a letter sent to McCain's Frozen Foods, Florenceville, N.B., by Mrs. Paul E. Falkjar, corresponding secretary for the C.A.C., New Brunswick, which reads as follows:

"At the last executive Board Meeting of the New Brunswick Branch of the C.A.C., a resolution was passed that a letter be sent to you asking for an explanation regarding the difference in the price of McCain Frozen Peas. This product is being sold in Sobey's, Saint John, at 2/47, and in Ingersol, Ontario, at Loblaw's for 2/35. I am enclosing a clipping from the Ingersol paper and a wrapper from frozen peas sold in Sobey's Saint John."

Other types of gimmicks are the packages with the gift enclosed in the merchandise and trading stamps, etcetera. We know that the producer of the gift must make money, the packager must make money, and so on, we, the consumers, must pay for toys for children and all sorts of articles when all we want to buy is a basic product. For example -- "rolled oats" or "wheatlets" in five-pound packages cost about 10 cents per pound but actually the bulk of these products are bought in one and two-pound boxes, frequently with premiums for the children, and the cost is probably double.



Again, the demand for prepared and semi-prepared foods increases costs tremendously. Also a multiplicity of brands must create a great deal of waste by increasing advertising costs, etcetera.

We respectfully submit two concrete proposals to the Commission.

1. In 1776 Adam Smith, still recognized as one of the greatest authorities in the subject of economics, published "An Inquiry into the Nature and the Cause of the Wealth of Nations". He stated: "The real source of a country's wealth is its annual labour". The labour of the primary producer with which we are most interested, is the farmer. We have no quarrel with the farmer, nor, most of the time, the prices that he asks for his goods. We realize that the spread between his price and the consumer price will probably continue to remain fairly constant. Faced with these facts and the fact that the cost of living must go down, we are left with but one solution and that is to lower the cost of production to the farmer. He is the only producer of goods that must buy all the items that are necessary to be bought to produce at a retail price and to complete the absurdity of the situation he sells everything that he does produce at a wholesale price.

Assisted by a beneficent mother nature, and working hours unparalleled in any other industry he wrests a living from the soil and must sell at a price that is sometimes almost prohibitive to the



consumer.

How to assist the farmer:

- (a) Set up a completely different income tax scale.
- (b) In so far as possible, have machinery, grain and anything necessary to produce, sold to the farmer wholesale.
- (c) Have assessment for municipal purposes on a lower scale.

This is a radical suggestion, but we are living in a changing economy and the subsidizing of the farmer of Canada is going to reflect on the economy of every single individual consumer in the country. As regards consumption, the economist cannot set aside every moral consideration regarding the use of wealth; refuse to distinguish between that whose only aim is pleasure, such as the consumption of alcohol, and that which meets the public interest, such as ensuring food for all in this land of plenty. Canada is a wealthy country -- let us use the wealth wisely.

2. Our second suggestion is that the Government subsidize radio and television programs to give the consumer more and more information on what and how to buy. Advertisers certainly won't assist the consumer so it is the task of the C.B.C. Give the consumer knowledge and more knowledge so that the retailers will themselves desist from preying



on the unknowing consumer. We admit that the cost of living is high, because we buy ignorantly and wastefully.

After years of propaganda the advertisers have taken from us our trading instincts - we have lost our basic values and our consumer surplus index reflects such a situation.

Give us instruction so that our standard of living will get higher though the cost of living goes lower.

Mr. Chairman and members: We wish to express our appreciation for this opportunity to present a brief to your Commission, particularly in view of the very short notice involved. We trust our views will be of some value in your findings.

THE CHAIRMAN: Mrs. Walton will open the questioning.

COMMISSIONER WALTON: Thank you, Mr. Chairman. There were just one or two points I would like to ask you about. From your first page and the second and the tables and the recommendations I gather you would like to see more statistical information available. I think, Mr. Chairman, that has been evident right across Canada, not only from the consumers, but from producer groups. They felt that the statistics available could not be prepared or interpreted in a way that would mean something to them, and this suggestion confirms the impression



that we have had from the other groups. I am perhaps not qualified to say whether we can afford it or not. We know the basic thinking is that you would like to see different types of statistics which could be understood.

I gather on page 3 when you are referring to pork, and also to beef and lamb, that you would like to see grading or a grading system carried right through to the consumer if possible, and your feeling is that in pork -- I do not know whether it is either "A" or "B" -- It is my understanding there is no really standard hog as such that you could have Grade "A" meat in a Grade "B" hog and vice versa.

MRS. FALKJAR: That is true. It is not like beef. If you want Red Brand or Blue Brand, we know what we get. If you could get pork and lamb sold by the same grading standard, we know that we would get our money's worth.

COMMISSIONER WALTON: Some of the packaged bacon, whether it is ham or bacon, shall we say, the brand name is about the only grading that company gives.

MRS. FALKJAR: That is right. That is inspected, I don't doubt that, but it is not graded.

COMMISSIONER WALTON: The packing company places a grade on it, but you are not protected where you have delivery from somebody else.

MRS. FALKJAR: The Government stamp is there.



We know that little round stamp is there, that is all.

COMMISSIONER WALTON: Do I understand you have only one municipal abattoir in this province?

MRS. FALKJAR: Yes.

COMMISSIONER WALTON: Is that in Saint John?

MRS. FALKJAR: It is not a municipal abattoir any more, it was taken over by Canada Packers. Before it was owned by the municipality, but now it is taken over by Canada Packers, and they inspect cattle. If there is a sick cattle comes in that is all. It is not graded. I know that because I have been there so very often. The cattle are killed here. The farmer takes his cattle in and pays so much for each carcass, and if the cattle is sick, it is destroyed right here, but it is not graded for the quality of the meat like the Red and Blue Brand beef.

COMMISSIONER MARTIN: So it is still operated as a public abattoir even though it belongs to Canada Packers?

MRS. FALKJAR: Yes, to a certain extent.

COMMISSIONER WALTON: Here in an area such as Fredericton?

MRS. FALKJAR: It is not inspected in Fredericton. All the farmers can kill their own cattle in their own barn so far as I know, and I doubt very much if there is any inspection. There could not be when the farmer is killing his own cattle. We had that in Saint John years ago until



we got the municipal abattoir in Saint John city, and in Saint John county no farmer can kill their cattle. They all have to be brought into the abattoir and inspected, and they are sold from there.

COMMISSIONER WALTON: Then, as far as you know in Fredericton the only protection they have is meat that comes in as red and blue brand. Anything that is not so marked you are taking a sporting chance on.

MRS. FALKJAR: That is right, and I would not do it.

COMMISSIONER WALTON: Just in connection with the dairy products and the milk, we had a brief just ahead of yours and it was implied that there was a consumer resistance to perhaps a shorter week delivery, and a labour resistance and your brief indicates you feel there would be economies which you feel would be beneficial to consumer and producer. Who is right? Had there been any sort of a census?

MRS. FALKJAR: Not yet. If I may, I would like to tell you that I live four miles from Saint John, and we get our milk only every other day and we pay the same price: We get our milk three times a week, Monday, Wednesday and Friday.

COMMISSIONER WALTON: You are four miles out, but the chances are, I am suggesting, that if you had it delivered every day four miles out you would pay more.





MRS. FALKJAR: Now, you see the price is set by the Commission here in Fredericton, and if there is any increase in the price of milk the consumers will be called into that hearing. The Commission controls the price of the milk.

COMMISSIONER WALTON: And does that same 12-cent spread apply to each area or does that vary in each area?

MRS. FALKJAR: Well, so far as we know it is the same in Moncton, and in Moncton I would like to explain something to you: In Moncton I believe there were seven dairies. In Saint John there are only two. Here in Fredericton I do not know how many dairies there are, but the milk here in Fredericton-I think perhaps there is someone here who could tell you that. The retail price I do not know.

COMMISSIONER WALTON: Just as one housewife to another, do you use the round milk bottles or the square ones?

MRS. FALKJAR: The round.

COMMISSIONER WALTON: I believe the trend is the other way that dairies on the thirtieth trip at the end of the bottle. They now go into square bottles which as you say do fit into the refrigerators.

MRS. FALKJAR: Yes, that is true.

COMMISSIONER WALTON: Probably a visit to your dairy then to suggest this possibility or



perhaps to the dairyman's wife would help.

MRS. FALKJAR: Yes, that might work.

COMMISSIONER WALTON: I have just one other thought here. You feel that the Marketing Board for Hogs has been beneficial?

MRS. FALKJAR: I believe they have.

COMMISSIONER WALTON: And the co-operative group as I understood took over that as a going concern, did they not? Did we not have that yesterday?

MRS. FALKJAR: Yes, and today too the Marketing Board for Hogs is finding the market.

COMMISSIONER WALTON: But you say that is beneficial, and then you imply in this brief -- I am afraid I have lost the note I had made, but there were two different ideas, one that boards would do something for you, and the other that they would not. Perhaps someone else would like to ask a question while I find it.

COMMISSIONER DRUMMOND: It was suggested under lamb I think.

MRS. FALKJAR: And beef.

COMMISSIONER DRUMMOND: That there should be a marketing board for both beef and lamb.

MRS. FALKJAR: Yes.

THE CHAIRMAN: You have no feeling that the operations of the board have raised the price to the consumer?

MRS. FALKJAR: I am sorry, I did not get that.





THE CHAIRMAN: Have you any feeling that operations of the Board while raising the price to the producer has also raised the price to the consumer?

MRS. FALKJAR: No, I have not.

THE CHAIRMAN: Mr. MacKichan, have you any questions?

COMMISSIONER MacKICHAN: No, I have not.

COMMISSIONER COUVRETTE: In paragraph one on page 5 where you say "delivery of milk four days per week" would mean savings, but it seems to me at least that what is forgotten there is that if they go for four days they will have to carry twice the load anyway. They would still have to carry the same amount of milk unless the consumers drink less milk.

MRS. FALKJAR: No, I know they still have to carry the same amount of milk, but just the same a milk truck today cannot take everything in one load, for instance, four miles outside the city.

COMMISSIONER COUVRETTE: There is no doubt that there would be some savings.

MRS. FALKJAR: There will be some savings.

COMMISSIONER COUVRETTE: But would you still say that these figures would hold true?

MRS. FALKJAR: Yes, I would.

THE CHAIRMAN: In arriving at these figures did you make an actual calculation?

MRS. FALKJAR: Yes, we did.

THE CHAIRMAN: Of the mileage that would be



covered?

MRS. FALKJAR: Yes.

THE CHAIRMAN: And the number of quarts of milk that would be hauled each time?

MRS. FALKJAR: Yes, we did a very careful study.

COMMISSIONER COUVRETTE: What about depreciation of the vehicles? Time is a running factor just as much as distance, is it not?

MRS. FALKJAR: Yes, it is.

COMMISSIONER COUVRETTE: I do not think any new 1950 model would still be worth 100 per cent of its value, would it?

MRS. FALKJAR: No, but we do feel that there could be some savings there.

COMMISSIONER COUVRETTE: Well, probably not up to these figures shown here.

THE CHAIRMAN: Do you know of any city anywhere that is not served on a daily basis?

MRS. FALKJAR: Only in the city where I am living.

THE CHAIRMAN: But you are four miles out.

MRS. FALKJAR: In the village.

THE CHAIRMAN: In the city?

MRS. FALKJAR: No.

THE CHAIRMAN: You have no objections whatever to getting your milk every other day?

MRS. FALKJAR: No.



THE CHAIRMAN: It is quite satisfactory?

MRS. FALKJAR: Well, as we stated in our brief we have our refrigeration and I believe most people have, and if they have not got a refrigerator they have an old-fashioned ice box. There is always a way if you want to save money.

COMMISSIONER DRUMMOND: Everybody in your village is taking delivery every other day?

MRS. FALKJAR: Oh yes.

COMMISSIONER DRUMMOND: And there have been no complaints from anybody?

MRS. FALKJAR: No, not yet. You see the milk we get, for instance, today is milk that has been in the dairy for about 48 hours before we get it. It is not right straight from the farmer. It is kept in the container in the dairy for 48 hours. You have to have a surplus to have milk in there.

COMMISSIONER WALTON: Mrs. Falkjar, on the bottom of page 4, I found what I was looking for a few moments ago, when you are referring to your beef and lamb and hog you indicated that you would like to see boards, and on the bottom of page 4 you say: "A careful survey of the facts reveals that legislation has increased the cost of production to the farmer-producer and is reflected directly on us the consumers." In other words, if you get more boards, or more marketing agencies, Government legislation, you feel that through



stricter grading and other factors it does add to the cost, and yet you would like to see it?

MRS. FALKJAR: Well if we had that we feel that we would get our money's worth, our value for our money.

COMMISSIONER WALTON: You are prepared to pay?

MRS. FALKJAR: If you go in and buy a piece of meat, roast of beef, for instance, you don't know what kind of beef that is before you get it home and take it out of the oven. I think if you buy red or blue brand, I do feel that we all are willing to get the meat graded, and then get something that we can use.

COMMISSIONER WALTON: For quality and grade you would be willing to pay?

MRS. FALKJAR: Yes. We know it would take money to have a marketing board set up. We also know it will cost money, but then we are protected. We also know what we buy. Does that answer your question?

COMMISSIONER WALTON: That clarifies it.

COMMISSIONER COUVRETTE: On the question of milk again, in a previous brief there has been some talk of milk in papers and bottles. How would the consumer feel about that?

MRS. FALKJAR: We brought up some time ago, I believe I was in Fredericton about three years ago, and I brought it up to the Dairy Commission



in Fredericton. I was told that the carboard containers would cost more money in the long run than the milk bottles. The only thing is the milk bottles you can use for so many trips, but the carboard containers you have to throw that away. Also, if the consumer, I blame that on the consumers, would be a little more careful and be sure that the milk bottle was delivered to the milkman. Things like that, you know, waste of money, add to the price of milk.

COMMISSIONER WALTON: Do you have a price differential between store and house delivery?

MRS. FALKJAR: No, we pay the same.

COMMISSIONER WALTON: And you don't have these multiple quart containers that hold two or three quarts?

MRS. FALKJAR: No, we haven't got that either, and I do believe that large families would appreciate to have that.

COMMISSIONER COUVRETTE: May I come back again to that paper container. If the price were to rise, what would the consumer do in choosing between milk in glass and milk in paper?

MRS. FALKJAR: To be honest, I can't answer that question yet. We were told that milk bottles cost five or six cents, five point something, but a cardboard container would cost close to two cents, 1-3/4 cents.



COMMISSIONER COUVRETTE: I appreciate that. If the price was the same for either one?

MRS. FALKJAR: I can't answer you honestly. I wouldn't like to answer you.

THE CHAIRMAN: Mrs. Falkjar, two of the recommendations in your report on page 2, you make the recommendation about the gathering of information. You recommend that some Government body gather information on the details of expenditures within the spread, and that those be reported, and that the report should also point out ways and means to save money. And then in your final recommendation you suggest that the Government subsidize radio and television programs, so as to get the consumer more information on what and how to buy.

MRS. FALKJAR: Educate the consumers.

THE CHAIRMAN: There are two facets: one is the gathering and making available statistics, and the other is the use of this to direct and educate the consumer. Now we are concerned I think with both of these suggestions. The question of obtaining accurate sufficient detailed information is a technical problem of some considerable difficulty, I might say. This is something which we can very easily consider ourselves. The suggestion that this be used to educate the consumer is a different category. Supposing that a study of this kind were made continuously and we had accurate information on a more



or less continuous basis, setting out the cost and the spread, how would you visualize this being used, as you said here, to point out ways and means to save money?

MRS. FALKJAR: Again I believe that I have to answer you by saying by education and information.

THE CHAIRMAN: These figures would presumably be descriptive material as to the prices to the producer being so much, and as you go through the stages towards the consumers, the expenditures are thus and so and they add up to the final retail price. Is it your thought that you would do this in sufficient detail that you could say to the consumers obviously this is where the price is lower, so you ought to shop there rather than shop somewhere else? Are you going to say, for example, that store "A" has a lower mark-up than store "B" and therefore it would be wise for you to go and shop at store "A"?

MRS. FALKJAR: That is a very tricky little question. I admit it.

THE CHAIRMAN: It is only the technical approach.

MRS. FALKJAR: I do believe that.

THE CHAIRMAN: I just want to get the meaning of this, and how you would use these figures.

MRS. FALKJAR: Well, you see, I don't think we as consumers, could use these figures. Yousee, when we tried to get information, as we



tried to get it here in our brief, we could not get the correct information.

THE CHAIRMAN: Yes, but the information side is one side of it. This is to get statistics. The second side is what you do with them.

MRS. FALKJAR: Well, I don't think we shall have them. We feel that a Government body should be set up and check on it.

THE CHAIRMAN: To get the statistics or to tell you what to do.

MRS. FALKJAR: No, to get the statistics.

THE CHAIRMAN: This, I think, is a proper Government activity.

MRS. FALKJAR: Not to tell me. That would be too dangerous.

THE CHAIRMAN: Who is going to tell on the basis of this in what way you are going to save money?

MRS. FALKJAR: Well, because maybe cases, you know, when you have an investigation like that, if you have a Government body set up, there might be cases where that body, if it was fair and honest, could see that some money could be saved like we do in our own household. It is just the same.

THE CHAIRMAN: We notice that today Grade "B" meat is selling at a larger than usual discount in relation to "A", so this is obviously the time that the consumers ought to eat "B" meat, is this



the sort of thing?

MRS. FALKJAR: Well, I still say it is not for the -- it is for the Government body, you know, to get the information, and if the consumer wants the information we can go to that body and get the information.

THE CHAIRMAN: Yes, information is one thing. Well, let me try it on these subsidized radio and television programs. Again are you suggesting that not only should the Government subsidize those, but Government personnel should be on the programs and perform these services?

MRS. FALKJAR: Well, you will see on the C.B.C. TV there are lots of programs sponsored by the Government. For instance, you know "Country Calendar" for the farmers and for the fishermen, and we feel that something should be on there too for the consumers. That is what we refer to.

COMMISSIONER WALTON: Have you ever listened to the radio programs?

MRS. FALKJAR: I am working that time of day.

COMMISSIONER WALTON: There is a great deal of consumer information given there, and the local radio stations have given over time for consumer organizations.

MRS. FALKJAR: I work in the daytime personally.



COMMISSIONER WALTON: It is not a field where there has not been some work done.

MRS. FALKJAR: Yes, but times are changing. I don't believe very many people listen to the radio any more. When you have TV that is what people are looking at today. If we had some information, some education for the consumers like we have here for the fishermen on the "Country Calendar" and the "Gardener" on TV and so on and so forth, I feel that for the consumers there is a place too.

THE CHAIRMAN: You feel this should be done by Government personnel? You do not think that some organization, such as the C.A.C., has any place in this sort of thing?

MRS. FALKJAR: Yes, Mr. Chairman, but you see we have not got that kind of money to advertise on the TV.

THE CHAIRMAN: Why have you not got this kind of money? There are an awful lot of consumers, are there not?

MRS. FALKJAR: Yes, if we all joined together.

THE CHAIRMAN: Why do they not all join?

MRS. FALKJAR: That is what I don't know.

COMMISSIONER DRUMMOND: Do they all want this information?

MRS. FALKJAR: You bet your life. If you know today -- it is the same with the farmers. The farmers are living in a different district. You cannot

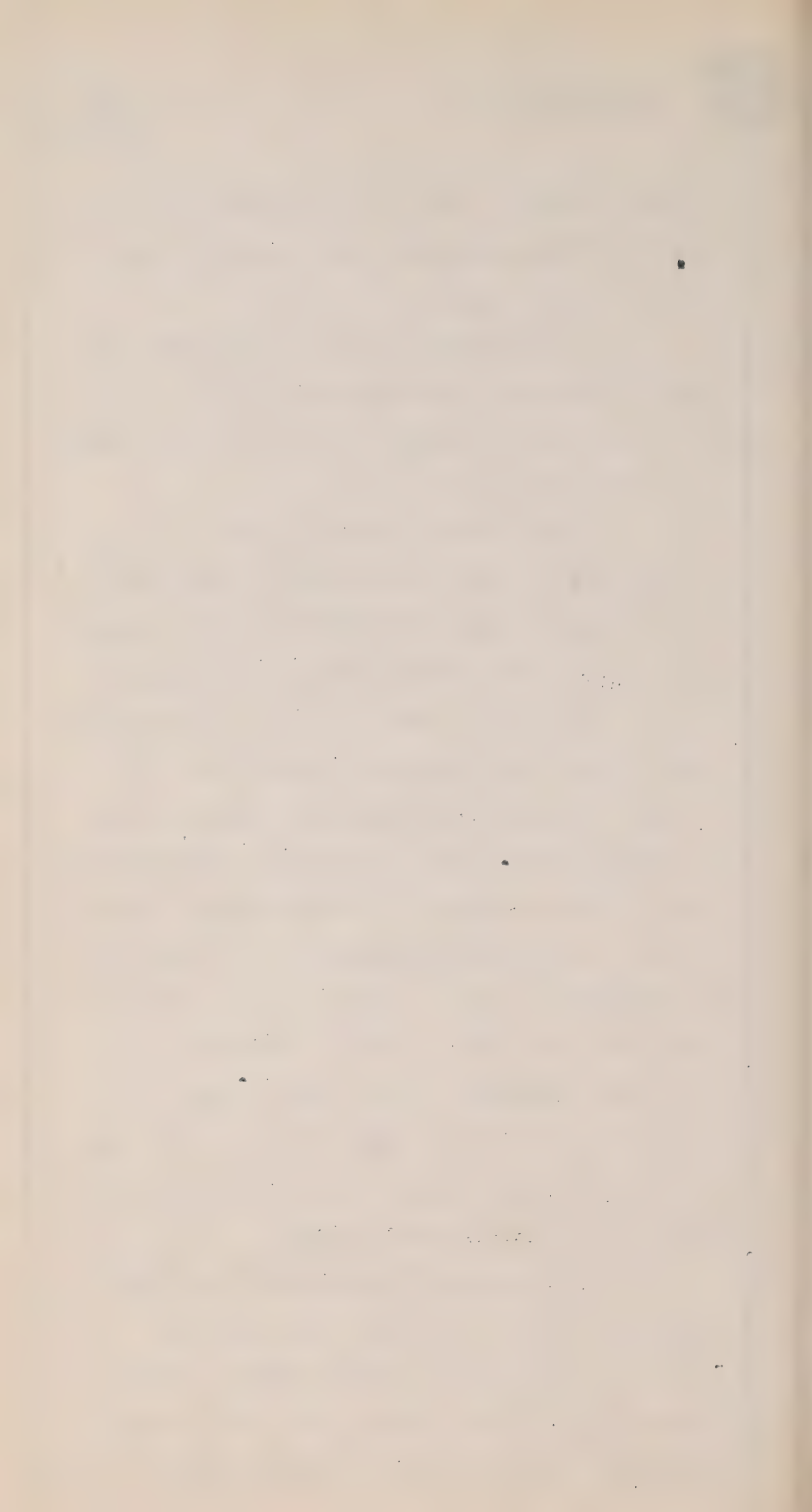


get them together. That is for the women too. You cannot get ~~them~~ altogether. That is what I find here in this country.

THE CHAIRMAN: I am not just asking these questions because I am critical of the C.A.C. I am trying to get at the problem as to how the consumer as such becomes vocal.

MRS. FALKJAR: Well, you see, the C.A.C. was set up after the Wartime Prices and Trade Board was dissolved. There were about 16 national women's organizations which joined together and formed the C.A.C. They felt -- I was not in it at that time -- they felt that that should be a protection for the consumer just as well as the labour union have and the baking industry have, and all the other organizations have. That is how the C.A.C. was organized with the approval of the Federal Government at that time, and the membership is now \$1 a year, and out of that \$1 each local branch gets 25 cents, a provincial gets 15 for each membership, and 60 cents is given to the national office, and they have their office rent to pay, and telephone so you see the C.A.C. has no money to put up a television program.

If we had that once a week to tell the women to be careful, you know, and be careful with their money and so on and so forth, I think they will have hit it; but the C.A.C. have not got the money. Nobody paid me for coming up here.





I do that for the good of all the people. Can you see why we can't do that?

THE CHAIRMAN: Supposing that this time were made available without charge to the organization?

MRS. FALKJAR: That means something.

THE CHAIRMAN: Would the C.A.C. be in a position to do it?

MRS. FALKJAR: Yes, they would, I think. May I ask Mrs. Walton?

THE CHAIRMAN: I will ask her afterwards.

MRS. FALKJAR: I do know they would be done from the national level and from the provincial level, and even from the local level, but they would all work together. That is all we know.

THE CHAIRMAN: You do feel strongly that there should be a greater opportunity --

MRS. FALKJAR: I certainly do.

THE CHAIRMAN: For the consumers' viewpoint to be expressed?

MRS. FALKJAR: Yes.

THE CHAIRMAN: We are very grateful to you for coming here.

MRS. FALKJAR: Thank you very much.

THE CHAIRMAN: We will now adjourn to meet, we hope, in Prince Edward Island tomorrow morning.

--- Whereupon the Commission adjourned at 12.45 p.m.



ROYAL COMMISSION

Mrs. Walton
ON

PRICE SPREADS OF FOOD PRODUCTS

HEARINGS

HELD AT

CHARLOTTETOWN

P. E. I.

VOLUME No.: 11 DATE:

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- 1842 -

ROYAL COMMISSION ON PRICE SPREADS
OF FOOD PRODUCTS

Proceedings before the Royal Commission on Price Spreads of Food Products commencing at 10.00 a.m. Wednesday, April 30th, 1958, at Charlottetown, P.E.I.

CHAIRMAN:

Dr. Andrew Stewart

COMMISSIONERS:

Mrs. Dorothy Walton
Mr. J. Howard MacKichan
Mr. Romeo Martin
Mr. W. Malcolm Drummond
Mr. Cleve Kidd
Mr. Bernard Couvrette

Secretary

John A. Dawson

Assistant Secretary

A. A. Caron



APPEARANCES

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Mr. Colin Waugh	
Mr. Charles Yeo	
Mr. Roland MacDonald	
Mr. Donald MacDonald	
Co-Operative Union of Prince Edward Island	1899
Mr. L. O'Connor	
Mr. Donald MacDonald	
Mr. G. Labelle	

EXHIBITS

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THE CHAIRMAN: If you will come to order, we will open the hearings of the Royal Commission on Price Spreads of Food Products in Prince Edward Island.

I would like to say my colleagues and I are very happy to be in Charlottetown. We will not take any responsibility either for the fire or for the rain. We are very happy to be here.

Before we hear the first brief, I think I may take this occasion again to read the specific Terms of Reference of the Commission.

The Commission was appointed to do the following things:

(a) inquire into the extent and the causes of the spread between the prices received by producers of food products of agricultural and fisheries origin and the prices paid by consumers therefor;

(b) determine whether or not such price spreads in general or in particular cases are fair and reasonable, or are excessive, in relation to the services rendered;

(c) make such recommendations as they deem appropriate if any such price spreads are found to be excessive; and

(d) examine the adequacy of price information currently available.

The first brief we are to receive today is from the Prince Edward Island Federation of Agriculture



to be presented by Mr. Waugh.

Mr. Waugh, you have some of your directors with you. I would be glad if you would introduce them to us, and then you might read your brief into the record.

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SUBMISSION OF
PRINCE EDWARD ISLAND FEDERATION OF
AGRICULTURE

Appearances:

Mr. Colin Waugh	President
Mr. Charles Yeo	Vice-President
Mr. Roland MacDonald	Director and Past President
Mr. Donald MacDonald	Director

THE CHAIRMAN: The brief of the Prince Edward Island Federation of Agriculture will be filed and marked as Exhibit No. 39.

EXHIBIT NO. 39: Brief presented by
Prince Edward Island
Federation of Agriculture.

MR. WAUGH: On my right here is Mr. Charles Yeo. He is a past president of the Federation. Mr. Donald MacDonald is a director of our Federation. Mr. Roland MacDonald is a director of the Federation at the present time, and also a past president.

THE CHAIRMAN: Thank you.

MR. WAUGH: The Prince Edward Island Federation of Agriculture welcomes the opportunity and privilege of appearing before this Royal Commission which we believe has an important function to perform and whose findings will be awaited with very considerable interest not only by the farm producer but by the general public as well.



We welcome the members of the Commission to our province and trust that even though our countryside has not donned its spring clothes that it will make a favourable impression.

Our concern is first of all the economic and social welfare of our farm people and next the economic advancement of our province. Prince Edward Island is a Maritime province that makes its living from agriculture, with the possible exception of Saskatchewan, no other province is so largely dependent upon agriculture; for this reason our interest in the work of this Commission is very genuine.

Pressure of work in our office with a limited staff and the absence of a trained economist has made it difficult to compile the type of well documented and statistical brief which we realize the problem requires.

For the above reasons our observations will be of a general nature and will not attempt to provide analyses of the situation relating to specific products.

General: From the beginning of its history Canada has in an unofficial way been dedicated to a cheap food policy, this situation can be charged in part to the ready availability of land, abundant supply of labour during the pioneering era on these farms, Government policy, and more recently to the attitude of many thousands of farm people who have moved into urban and industrial centres and do not



view with equanimity the idea of paying what appears to them high prices for food products. The Canadian farmer has been the unwilling victim of the cheap food complex and has during the past six years been also the victim of spiralling costs which he has not been able to pass on to the consumer who in most cases fails to realize that increases in the food indices are largely chargeable to non-farm charges for labour, transportation, packaging and merchandising. The farmer is chiefly interested in what he receives and the consumer in what she pays, unfortunately neither has given a great deal of thought to the charges in between the two which now account for a large portion of the food dollar.

Transportation: Prince Edward Island farmers do not have the advantage of any large domestic market close at hand, many of our products must be transported great distances and their bulky and perishable nature adds greatly to the cost of delivery. Transportation costs are one of the heaviest items which the economy of this province must bear. Total charges for incoming freight collect and out-going freight prepaid are probably in excess of \$10 million per year, a heavy burden to be borne by a community of 100,000 people.

Transportation costs are of particular significance when related to our potato industry which finds its most important markets in central Canada



for tablestock and in the southern United States for seed. Of less but still of great importance is the demand for our potatoes in the nearby markets of Nova Scotia and Newfoundland which is a valuable market for a wide variety of Island products.

We would hope that your Commission in its studies will be able to devote considerable attention to the effect of transportation charges in decreasing farmer's income and in increasing food costs. The Island farmer has a very particular interest in this question of freight rates. Certainly horizontal or percentage-wise increases in this field have borne with particular hardships on primary producers in the extremities of the country.

Marketing: As markets move farther and farther away from the farm with the producer having practically no contact with the consumer, production tends to become less of a problem and the farmer's attention inevitably turns to methods of marketing and to improved efficiency in this field. In an era where the farmer sold directly to the consumer he may have had some real bargaining power, where perhaps only one or two intermediaries operated between the farmer and the buyer there may still have been some contact of value, however the modern development of large packing houses, wholesale chains, and supermarket chains of food handlers have very effectively destroyed the contact between producer



and consumer. The farmer has today practically no bargaining power as an individual, realization of this fact has been the primary reason for the farmer's interest in developing buying and selling organizations which have taken the form of farmer-owned joint stock companies, co-operatives and more recently marketing boards established under legislation and having authority to direct and control the marketing of farm products.

We realize that these efforts on the part of the farmer to regain his bargaining power are viewed with concern, even with alarm by a portion of a society which has more or less happily adjusted itself to the idea of professional fee fixing through associations, bargaining by labour unions, and to the assumption that invested capital is entitled to a fair return except possibly when invested in agriculture.

In our opinion agricultural survival depends to a large extent on efficiency in marketing and upon the success which the farmer attains in perfecting and controlling his marketing organizations. The consumer should not expect in a highly organized society and in an agriculture which is continually facing increasing costs that farmers can continue to trust to the law of supply and demand while other industries operate in a controlled and manipulated economy.



We would hope that the findings of your Commission will reassure the consumer that the purpose of farm marketing organizations is not exploitation but efficiency in distribution and of keeping marketing margins at reasonable levels and finally the preservation in a healthy condition of an industry vital to national and economic health.

Speculation: To what extent speculation contributes to the cost of food products is difficult to say. Certainly there would appear to be grounds for belief that speculative profit making contributes nothing to the value of consumer goods. At the present time the Canadian potato market appears to be perhaps unduly influenced by the operations of the New York Mercantile Exchange which is the stamping ground of people who make their living not from producing or marketing but purely from speculation. While at times the producer may appear to benefit from speculative profit taking there would appear to be little justification for including in consumer prices the cost of keeping people who live entirely by their wits.

We would like to make it clear that our reference is not to the type of speculation which consists of farmers holding their produce for a more favourable market or to the risks taken by the legitimate dealer who invest their capital in the product.



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- 1851 -
Mr. Waugh

Processing and Packaging: The farm producer continues to note with interest and at times concern the tendency toward offering the consumer a product which is almost ready for the table and in fancy and expensive packages. We have no quarrel with the consumer who believes or has been induced to believe that more processing and packaging is desirable, however, processing and packaging does not tend to increase the farmer's returns on the product, on the contrary the opposite is the case. It is likely that processed food prices will fluctuate much less at the retail level thus the farmer may not expect to benefit from improved prices when the raw material may not be in a less abundant supply, in short, the more processing and the more packaging the greater will be the price rigidity. Further the consumer with the budgeted food dollar will not tend to distinguish between what is spent for processing and packaging and what is actually spent for food. Thus as this trend continues the producer's percentage tends to decline. While we are repeatedly told by merchandisers that the consumer is demanding these refinements there is probably very good cause for believing the merchandisers are to a large extent responsible for developments in this field, developments which were not initiated for the purpose of giving to consumers better value but rather to attract patronage by interesting the buyer in a novel way. Gimmicks and sale promotion stunts may



benefit the particular inventor in the beginning but when imposed as standard practice upon an entire industry become a burden both to the consumer and producer.

Grades and Standards: Generally the Canadian public has had very good protection from the standpoint of health standards in grading to insure reasonable conformity to certain established levels, however there is a great variety of nomenclature so far as grades are concerned with No. 1, 2, 3; A.B.C.; standard, choice and fancy all of which may be quite confusing to the consumer and may lead at times to erroneous ideas of relative values. Quality and cost are not necessarily synonymous. While a roast of beef from a choice carcass may cost a great deal more and be more palatable than will a similar cut from what is regarded as third grade product yet from a nutritional and wastage standpoint it may be better value than the expensive one. In many cases retailers who advertise that they sell only the presumably top quality product may be limiting the consumer choice and contributing to his or her costs. While we do not have statistical data to back this statement many well informed persons believe that the farmer suffers a greater discount on off grades than the margin offered to the consumer would appear to justify. We think it is important that consumer education be furthered to the end that sound judgment may be made as to where real value lies and that



searching analysis be made at the same time of unrealistic claims made by food merchandisers for the quality and value of their products.

Bonuses and Premiums: In far too many cases food products are offered in conjunction with premiums and bonuses which the consumer may not require and which do add to the cost of merchandising and to the cost of food. We suggest close scrutiny of the long-term effects of such practices. If the consumer requires breakfast food it should be bought without adulteration of fire trucks, kiddie cars, rings or bobby pins. We believe a useful service would be rendered by your Commission in studying and reporting on the economic implications of such practice and in indicating what legislation if any might be desirable in the way of control. Included are, of course, food stamps, and premium coupons all of which create in the minds of the consumer the impression of having received something for little or nothing.

Dairy Industry: The dairy industry affords an example of good organization in its various branches. Quality standards are regulated and with few exceptions consumers who purchase dairy products are guaranteed good quality and fair value. Butter which is one of the most widely used food products carry much below average spread between producer and consumer. In fluid milk, regulations are established and producers and consumer prices regulated, processing



margins set, all of which are open to the scrutiny of the public. We believe that much of value can be learned from a study of the dairy industry, its methods of organization, its quality standards, health protection and the charges involved in handling its products.

Eggs: Eggs are a product which require careful handling, good storage and grading standards which give the producer a reasonable incentive to produce a better article and the consumer protection. Due to their perishable nature eggs present some difficulty in handling from the standpoint of the retailer. If placed in a paper bag they are readily damaged, if sold in cartons by the dozen there is greatly added expenses. It may be argued that when the consumer pays 4 cents for a carton every time a dozen of eggs is purchased that it is not economical. Certainly the housewife who buys a quart of milk at the store does not buy a bottle with every purchase but evidently the purchase of the carton is standard practice. Re-usable cartons which the consumer purchases and takes with her to the store could effect a marked saving. At times the spread between large and medium eggs makes the latter a purchase of very good value, however, we are informed that unless there is a retail spread of 6 cents that the consumer is not interested.

Profit in Percentages: We would suggest



that the Commission scrutinize with some care statements of retailers which refer to percentage-wise profits on the sales dollar. While, of course, these figures are significant they do not tell the whole story as the frequency of turn-over has a very important bearing on the profit made on the invested dollar. For instance, butter may be handled at quite a small margin but the butter dollar may be turned over fifty times in a given year with a profit each time. Packing houses, and other large food handlers, regularly publicize and emphasize their small margin per pound of product handled. We believe that a fairer picture would be painted by providing information on the profit made on the invested dollar.

Federation of Agriculture: The Prince Edward Island Federation of Agriculture federates some 13 provincial organizations which either directly or indirectly represent practically all the farmers in the province. In addition, our organization unites over 2,000 farmers and their wives who contribute the larger portion of finances.

A provincial board of directors number 23, delegates executive responsibility to an executive of nine which has studied and approved by formal resolution the contents of this brief.

Our organization is a member of the Canadian Federation of Agriculture and we would refer



to the letter written by the secretary of that organization on February 27 to the Chairman of this Commission. The letter in question outlines certain problems which in the opinion of the national organization should be studied and investigated. We concur in these recommendations and hope that it will be possible for this Commission to act upon them.

Conclusion: In concluding our brief we would express our thanks for this courtesy of this appearance. We realize that the work of this Commission will be of very considerable importance to agriculture and the fact that we have not been in a position to produce a more detailed study of the matters under consideration is in no way a reflection upon the opinion which we have of the importance of this Commission.

While the urban consumer may view the problems of agriculture in a very detached way we would point out that the welfare of agriculture has a very important bearing on urban welfare. We see in this Commission a splendid opportunity of explaining the realities of the situation and of clarifying many of the misunderstandings in relation to spreads in food prices which may exist in the minds of both producer and consumer.

We trust that the deliberations of the Commission will be attended with every success and that its findings will serve as a valuable contribution to improved urban-rural relationship.



THE CHAIRMAN: Thank you very much, Mr. Waugh. Our usual procedure is after the reading of the brief into the record we would like to ask you a few questions, and we would like to do that in this case, and your colleagues who are with you may participate in the discussions if they want. However I would like to ask if we might have a brief recess at this time. The Commissioners would like the opportunity to meet with His Worship the Mayor, Mr. Johnstone for just a minute. We will break off for five or ten minutes.

--- Recess.

--- Upon resuming.

THE CHAIRMAN: We are privileged to meet in Charlottetown, and we are very grateful to His Worship the Mayor for arranging a place of meeting for us, and we wish to thank you Mr. Waugh for giving us the opportunity to break off, and pay our respects to His Worship.

Mayor Johnstone would like to say a word of greeting to the delegates.

HIS WORSHIP MAYOR JOHNSTONE: Dr. Stewart, distinguished visitors from other parts of Canada, ladies and gentlemen, on behalf of the citizens of Charlottetown and the council and myself, I would like to officially state that we are very delighted to have you here in Charlottetown as our guests this morning. I am sorry indeed that the weather





has not co-operated a little better for the short time you are going to be here. However, the city has done their best. We burned down one of our best buildings last night just to show you how pleased we were to have you here. We couldn't think of anything else really to do, and I hope that your deliberations here will be happy.

To those who are visiting Charlottetown for the first time, although your time is very limited, we do hope that you will find a little time to look around Charlottetown and visit our historic City, and if you have not already been there, go and see a few historic and interesting places we have to show you in Charlottetown.

The city is privileged indeed to contribute in a small way by providing you with this space here today. It is not very elaborate, but it is the best we have, and probably you will get a lot of inspiration from these old beavers around the walls who preceded us in the years gone by.

Again, a warm welcome to Charlottetown, and we hope you enjoy yourself and hope you will come back again.

THE CHAIRMAN: Thank you very much.

Mr. Waugh, in your brief you refer to the letter which we received from the Canadian Federation. We would like to say that we appreciate the quality of this brief. We recognize also that it was



difficult for the regional branches of the Federation to form the research and make the detailed inquiries which make it necessary for a complete study of such a problem before us, but I want to assure you that the various matters which were raised in the communication we received from the Federation will be under study by the Commission.

When we complete our hearings in the Atlantic provinces, we will have covered the Prairies and British Columbia and the Atlantic. We will hold our hearings in central provinces with final hearings in Ottawa in the Fall. In the meantime, we will have some staff who will be engaged during the summer in looking into the various matters discussed during our Spring hearing, and the matters referred to us by the Canadian Federation of Agriculture.

Now we would like to ask you a few questions, and I am going to ask Dr. Drummond if he will start off and the others will pick it up as we go along.

COMMISSIONER DRUMMOND: Mr. Waugh, I think perhaps the best mode of procedure is to go through your brief page by page as it were, and it will be a little easier to follow that way.

On page 2 where you deal with the transportation, I would like to ask you one or two questions relative to transportation in as much as you put emphasis on the amount of transportation costs as a part of the cost of marketing your products.



First of all, I think we all realize that freight rates have been rising in recent years, but I would like to ask whether you can tell us whether the average distance that your products have had to be transported in recent years has also been increased or not?

MR. WAUGH: No, I don't think the average distance has increased too much in the past few years. I suppose that you wouldn't mind, Mr. Chairman, who answers these questions. Now, we have a gentleman here that has considerable to do with shipping potatoes, and he could probably, might have some figures on that that I wouldn't know definitely.

COMMISSIONER DRUMMOND: I notice that you mention in connection with potatoes that the largest part of them have to go to Central Canada, but also that very considerable amounts go to Newfoundland and Nova Scotia, and of course some elsewhere. I was wondering whether the average distance of that product and other products that have had to be transported has been going up or not, because that is just as important as the actual rate per mile, the actual miles.

MR. WAUGH: Well, you see, apparently our population is moving to Central Canada. That would naturally mean that more of our goods would have to go there to sell. Do you have anything on that Donald?



MR. DONALD MacDONALD: As far as potatoes are concerned, the percentage volume of our exports going to the provinces of Quebec and Ontario have been consistently increasing.

COMMISSIONER DRUMMOND: Increasing.

MR. DONALD MacDONALD: In recent years due to the build-up of industrial areas in those two provinces, and makes a market for our potatoes. Plus that fact, we used to ship a substantial quantity of potato stock into the United States as well as seed. In recent years, the movement of potatoes into the States has been relatively small in comparison to what it used to be.

COMMISSIONER DRUMMOND: Do I take it from that in your opinion, the average distance would in fact be increasing in recent years?

MR. DONALD MacDONALD: Yes sir.

COMMISSIONER DRUMMOND: What methods, apart from changes in the freight rates, do you think might be employed to keep down or to put down the cost of transporting your products? Is there anything else that should be considered?

MR. DONALD MacDONALD: For the development of processing facilities at the source of production?

COMMISSIONER DRUMMOND: Is there any possibility of putting your products into a more transportable form before they start to move?



MR. DONALD MacDONALD: Processing to the extent that it is practicable will do just that.

COMMISSIONER DRUMMOND: You feel that has gone pretty nearly as far as it is likely to go for some time to come?

MR. DONALD MacDONALD: In this area. Actually the processing facilities are very very limited here. In fact in the case of potatoes, for example, we have none. We have no processing facilities.

COMMISSIONER DRUMMOND: Now, I think I am correct in stating in respect to your hogs, that you have in fairly recent years pretty well concentrated on producing a very high quality pure bred animal. It seems to me they are commodities which can stand long distances of transportation even at high transportation rates. That is the sort of thing I have in mind. If you could produce a commodity that sells for a high price, wherever it is sold, I was wondering if there was any other possibility along that line in this whole field of agriculture.

MR. ROLAND MacDONALD: You would mean the transportation of live hogs. I do not think it would work because of shrinkage on long hauls. Hogs shrink.

COMMISSIONER DRUMMOND: I am thinking of pure bred animals only, of course, not for slaughtering.

MR. ROLAND MacDONALD: They would go as far as Alberta and British Columbia. They can't go very much further.



COMMISSIONER DRUMMOND: Are there any other commodities that could be dealt with in the same sort of way. That is what I am wondering.

THE CHAIRMAN: How is the quality of your beef cattle?

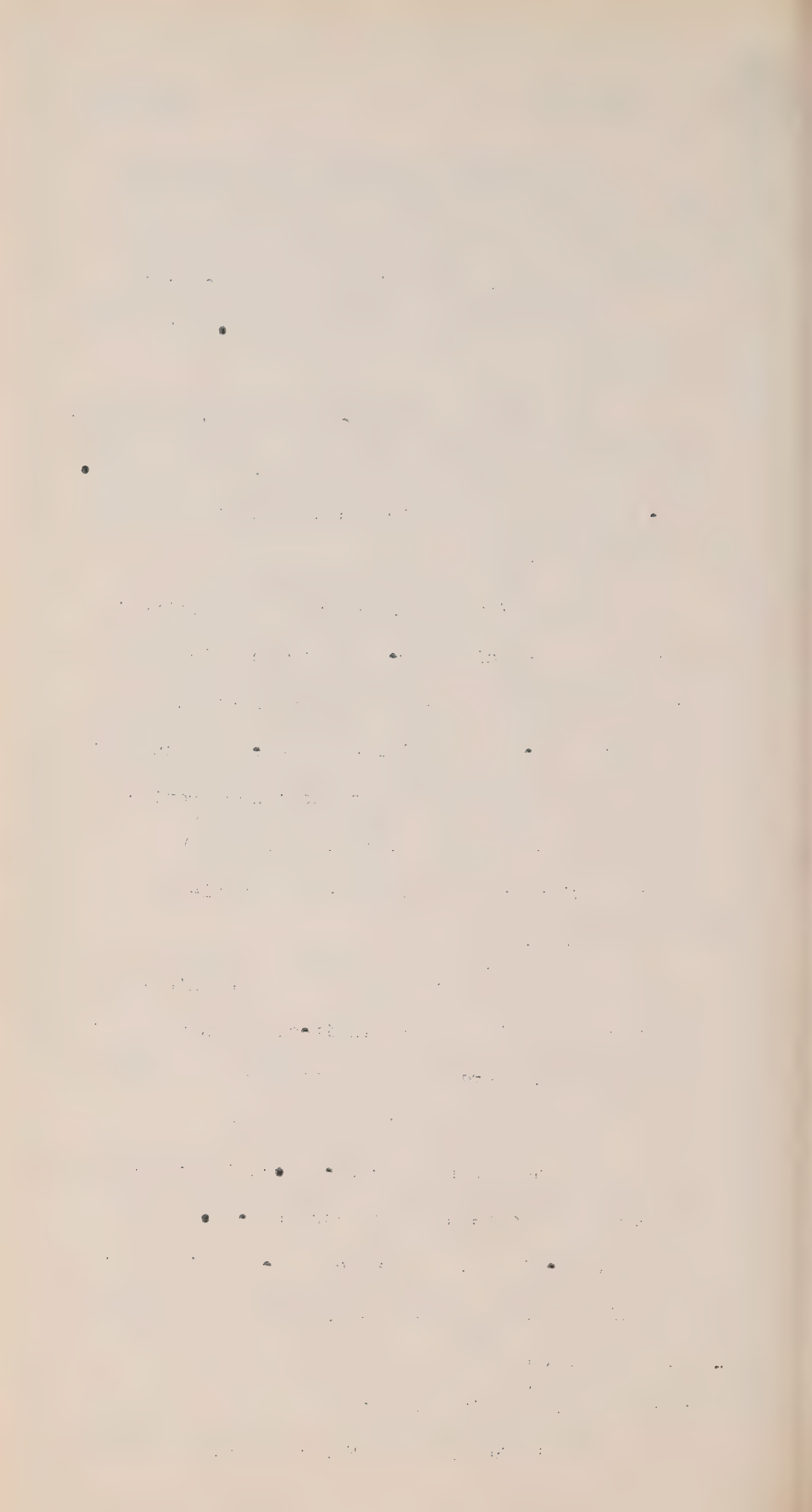
MR. WAUGH: We do not compare the quality of beef as good here as in the West. It may be considered to be in some circles top quality as to fat and the like of that.

MR. YEO: When we speak of quality in our cattle, we think more of dairy cattle and the production of a good -- special holstein herds of cattle and there is a limited shipment to the United States of good cattle and to the other provinces of Canada, but like hogs, it is very limited compared with the overall sales of cattle for meat purposes.

In relation to hogs and the shipment of purebred stock it is very limited. It sounds quite large, but when compared with the amount of commercial hogs for meat purposes, it is very small.

The returns for the stock is considerably better, but the returns are just based on the fact not many are in it. If a few more got into this producing of pedigree stock, pretty soon the supply and demand would enter into it and we would find ourselves not making the money on it.

MR. ROLAND MacDONALD: I think Dr. Stewart's





question was what the quality of beef was which is produced in this province.

If you were to meet a lot of consumers on Prince Edward Island and give them a piece of Western range fed grade red or blue brand, if you like to call it, and put it against a piece of our top commercial, and allow the Prince Edward Islander or the Maritime province man to have his choice, the possibility is that he would take our top commercial.

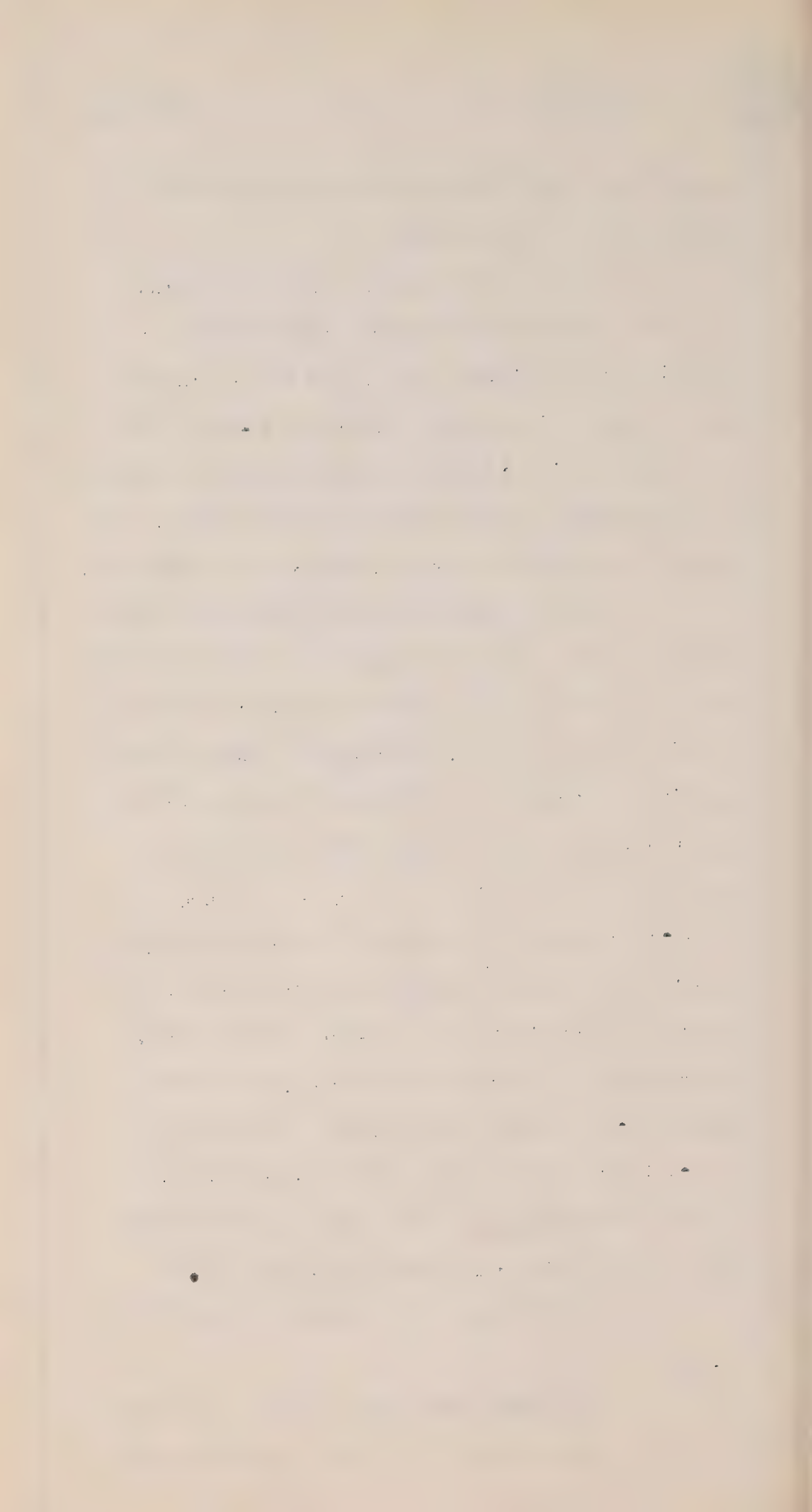
We only get pasture out here about three months a year. We will not get the cattle out until before the first of June, and if we get dry weather we have to start to bring them back in again by the middle of September. In the West they run all the time. I breed them so I know what I am talking about.

There is a tendency -- although the inspector will call it red brand or blue brand, according to the fat that is on it, and one thing and another, it is not as tender a piece of meat because it is stringy and muscley. You do not believe me -- that is true. Our animal is stall fed in the stable. It costs more to produce the meat, because we have to buy the grain to do it.

THE CHAIRMAN: You realize I come from Alberta?

MR. ROLAND MacDONALD: That is all right.

THE CHAIRMAN: I am not questioning what





you say.

MR. ROLAND MacDONALD: You were not born there I presume?

THE CHAIRMAN: No.

COMMISSIONER DRUMMOND: You realize we also have in our group one person who is an expert in the consuming end of different types of beef.

MR. ROLAND MacDONALD: Personally I am talking about the Maritimes, and not an educated westerner.

THE CHAIRMAN: Thank you.

COMMISSIONER DRUMMOND: I do not want to take too long on this matter of transportation, but it certainly is an important one, and you stress here the question of freight rates. I am just wondering whether in your opinions there is anything else apart from the actual freight rates that should be considered by this Commission in respect to transportation costs.

MR. ROLAND MacDONALD: For instance, in the sale of livestock, as a rule our price here is based on the Montreal-Toronto price for beef, and we are penalized the cost of transportation of the animal from here to Montreal-Toronto. That animal may be consumed over in Nova Scotia, and it never goes to Montreal, but our price is based on the price at Montreal less transportation costs to get it up there.



Now, if we are applying something -- I am speaking from a farmer's standpoint -- anything that we have to buy on the farm, the transportation costs from Montreal to Charlottetown is added to our price. We pay both ways.

COMMISSIONER DRUMMOND: In one case it is added and in the other case it is subtracted.

MR. ROLAND MacDONALD: That is right.

COMMISSIONER DRUMMOND: Would you say the transportation of your farm products within the Island itself is satisfactory?

MR. ROLAND MacDONALD: Not at all.

MR. DONALD MacDONALD: We have a road problem here at times, you know.

COMMISSIONER DRUMMOND: I am thinking more of the possibility of duplication of routes and that sort of thing.

MR. ROLAND MacDONALD: Services.

COMMISSIONER DRUMMOND: Yes.

MR. YEO: Of course, in relation to cattle, as far as transportation at the local level is concerned our system of grading is such that we have drovers who come from all directions and actually the returns that the drovers get comes from the producers, and when you have them criss-crossing; and two or three buyers in some of the other areas that is being paid by the industry, it is not practical.

MR. DONALD MacDONALD: Now that is something



that we as farmers possibly should not be complaining about, because it is the system that we tolerated for years, but it is up to us to correct it. Well, have you ever tried to organize farmers, probably I will put it that way.

COMMISSIONER DRUMMOND: Would you say that if it were corrected, or could be corrected, that it might have some effect in reducing the costs?

MR. DONALD MacDONALD: I could say that it could reduce the spread. There is no doubt about it, and as Mr. MacDonald was mentioning about the price differential between here and Montreal, I think it again is that we are under-organized as far as doing a decent job. Not only do we get from 2 to 4 cents less for comparable beef, and when I say comparable beef, I am using the grades set up by the Department of Agriculture in Ottawa, not Mr. MacDonald's grades, not only do we get less, I think it is generally believed and understood that the consumer is paying a little more for the meat that they get out of retail outlets. In hogs I would say that the relationship between here and Montreal is much better due to organization in the other Maritime provinces, which has more or less held an umbrella over the Island, and the producers. I don't think many hog producers here realize that possibly. Those of us who have studied it know that that protection is there.

Just getting back to eggs, we have a price



differential between here and the other parts of the Maritimes of from 3 to 4 cents, and on some grades such as "A" small of 10 to 11 cents. Isn't that right, between here and Moncton and Saint John. That again I think is just due to the type of marketing, or partly to the marketing facilities we have as sensibly or otherwise the way we have handled it.

MR. ROLAND MacDONALD: But the reason we have such a big market on hogs, we beat them in Winnipeg, and beat them in Edmonton. We beat them right along. Now that is outside of quality, but the reason for that is that all hogs from Prince Edward Island are sold on rail grade Government inspected basis, but beef is not, and then it is a case of say a half-ton truck with a box on to it, and goes into the farmer's yard, and buys from him by bulk. It is a legal transaction, and it is the buyer, the dealer merely pitting his judgment against the farmer's.

COMMISSIONER DRUMMOND: Are you suggesting there that his judgment is better than the farmer's on the quality?

MR. DONALD MacDONALD: I think if he is any good at all and at it every day it should be better.

COMMISSIONER DRUMMOND: Let us go to page 3. You stress here that over the years marketing has become



less and less direct or more and more indirect, and consequently the contact between the farmer and the consumer has become more and more non-existent, and that the farmer's bargaining powers have disappeared.

Now first of all, elsewhere in the brief you mention that it has been -- it is developed here as elsewhere, that supermarkets, large scale chain retail outlets, and so on, in some parts of this country, the development of supermarkets and chain stores has partly resulted in a considerable increase in the direct marketing by some farmer's products, such as eggs, for example. I am just wondering if there has been any similar development in Prince Edward Island?

MR. ROLAND MacDONALD: The farmer didn't market eggs to a supermarket direct, unless he has got a license as a grader. All retail eggs must be sold under a Government inspected grade, and as a farmer myself I can't go in and pick them up at a poultry house unless I put them through a candling station or get a license from the Board of, I guess Utilities Commission, isn't it? I would have to be a licensed grader anyway before I could pick them up, and then have to put them up under my own brand name.

COMMISSIONER DRUMMOND: Would you say that as things are right now, that there is very little direct



marketing to the retail stores on eggs in this province?

MR. ROLAND MacDONALD: Very little.

MR. DONALD MacDONALD: Charlottetown of course it is done.

COMMISSIONER DRUMMOND: Increasing do you think?

MR. DONALD MacDONALD: I believe the larger stores depend mostly on, ~~eggs~~ far as directly from the farm, which are cartoned at the farm by the producers.

MR. ROLAND MacDONALD: But it was a very, very small percentage of the eggs produced in the province.

MR. DONALD MacDONALD: Oh that is right, but it is a sizeable percentage of the amount of eggs consumed in Charlottetown.

COMMISSIONER DRUMMOND: The only reason I ask it is this development has taken place apparently elsewhere, and because you state here you say that your marketing has become more and more indirect. I just wondered if there was the reverse movement at all. Now you mention on that same page that the farmer has practically no bargaining power as an individual and that as a result he has attempted by various means to try and increase his bargaining power, either by organizing farmer-owned joint stock companies, voluntary co-operatives



or marketing boards. Could you explain to us very briefly the extent to which farm products are marketed co-operatively through voluntary co-operatives at the present time?

THE CHAIRMAN: Have you that information Mr. Waugh?

MR. WAUGH: No, I haven't, but we think that Mr. Yeo --

MR. ROLAND MacDONALD: The only thing on that is wool that is co-operatively marketed and what else have you?

MR. YEO: A lot of our potatoes are sold to the co-operative by various procedures of co-operatives, they go direct from the local co-operative to the trade, or through our central agency here in Charlottetown and joint stock companies do some processing especially in the dairy industry, and we have had an amalgamation of several smaller dairies into one quite large concern in Prince County, and they market their product much more efficiently I would say than could have done by the smaller groups.

COMMISSIONER DRUMMOND: Is that farmer-owned?

MR. YEO: Yes. As to the percentage of potatoes that go through co-operatives, you may have that Donald, I wouldn't.

MR. DONALD MacDONALD: The range sir would be from 10 to 15 per cent.



COMMISSIONER DRUMMOND: You have no poultry co-operatives?

MR. DONALD MacDONALD: Yes, but due to the fact that private business and Government assistance has established a modern plant in the province within the last year most of the poultry is marketed through that central plant.

In the matter of eggs, we probably co-operatively handle somewhere between 25 and 50 per cent. In the case of wool which has been spoken of already of all wool produced in the province last year somewhere between 125 and 150,000 pounds, 8,000 pounds were marketed co-operatively.

COMMISSIONER DRUMMOND: Eight?

MR. DONALD MacDONALD: Only 8,000 pounds, the rest was picked up at the farm by wool drovers and taken out of the province contrary to the producers of the wool marketing legislation under the Federal statute books at the present time.

COMMISSIONER DRUMMOND: Would you say then that there is still ample room for co-operative action as a possible means of improving the situation?

MR. DONALD MacDONALD: Certainly would sir.

COMMISSIONER DRUMMOND: I understand that you have had already some experience in the province with marketing boards. Any one of you would care to give us a brief summary of the nature



care to give us a brief summary of the nature of that experience, how long you have had it.

MR. ROLAND MacDONALD: Mr. MacDonald is the Chairman of that Board.

THE CHAIRMAN: I would like to direct a question to Mr. Waugh I think.

MR. WAUGH: It is a long story, and I don't know just how short I can make it, and make sense. Anyway, back in 1949, the Federation of Agriculture conducted a ballot plebiscite by mail. Are you in favour of a potato marketing board? Now as I recall it, there were only 35 out of 7,000 farmers that voted against the marketing board. In fact, the great majority of them favoured it, and it was organized. It worked along, developed up until possibly 1954, and there was I believe, a number of people wanted to have a plebiscite again.

There was a ballot again prepared and mailed, and the great majority were returned and somewhere around three-quarters, probably 74 per cent, I just forget, were in favour of the continuation of the marketing board. Then there was some organized resistance to that, and the Government proceeded then, and that was in the Spring this vote was taken if I remember correctly. In the Fall the Government proceeded to hold another plebiscite, and the vote in favour of the marketing board was stronger than ever.

This was a producer-controlled marketing board.



If I remember, it went along I think until August, and that board was more or less, there were a lot of farmers got thrown out, and the Government then appointed a marketing board, with hands tied more or less, and it went on then in a kind of a way until last -- when was the last plebiscite? Last October, and they had the plebiscite, Government held throughout the Island the same as the provincial election held, went to the poll to vote. There were only roughly 2,000 out of the estimated 7,000 potato growers voted, and 1,000 voted for the board and 1,000 against, and this board is to terminate on the 30th of June, and then there is no marketing board.

There is the story if you can make any sense out of it.

THE CHAIRMAN: Is there any place in which the various studies are reported as published material and reports? I don't think that we want to pursue it in detail now, but if you can tell us where we might get reports on it.

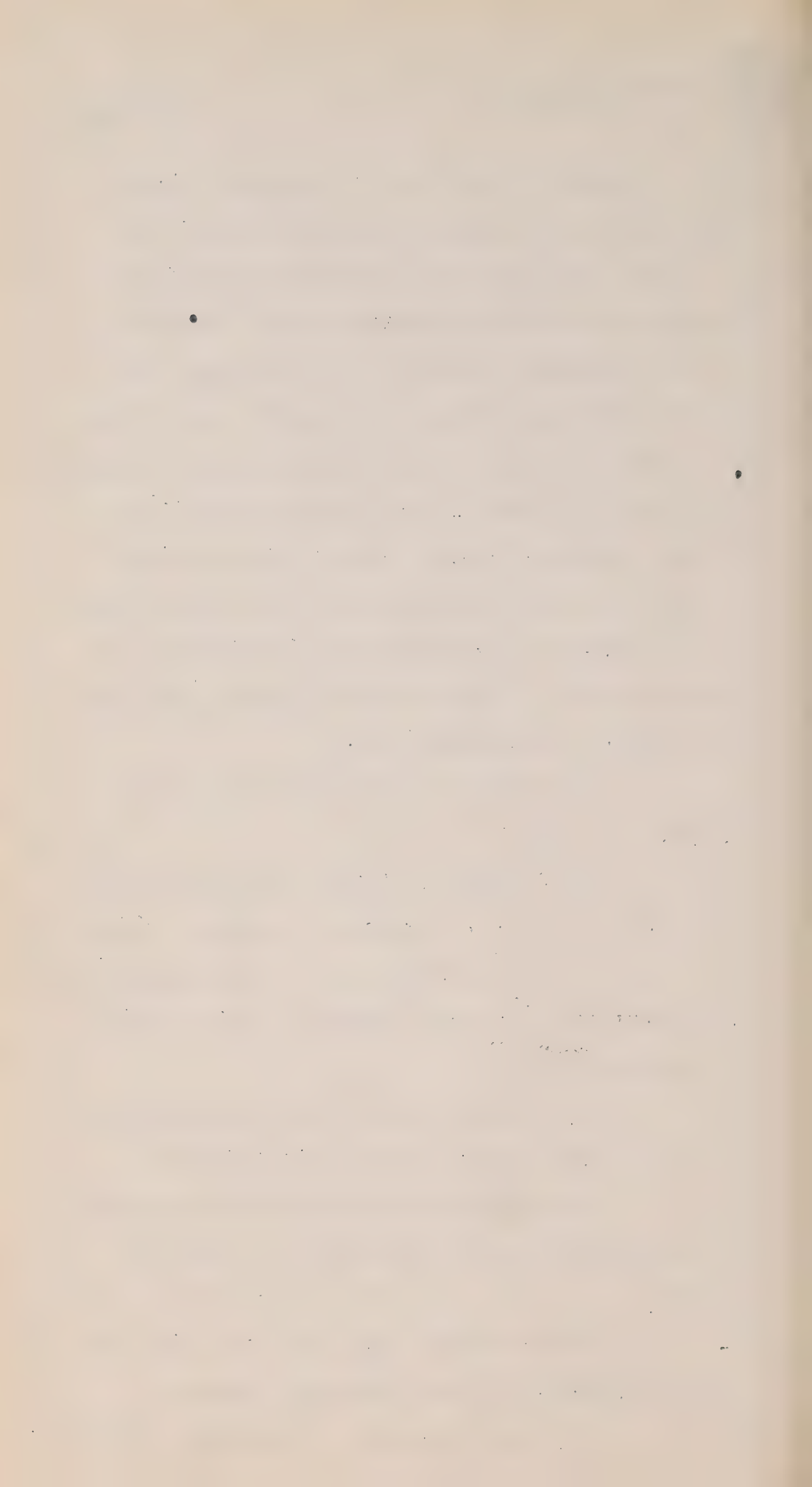
MR. WAUGH: On the Potato Marketing Board?

THE CHAIRMAN: Yes, public reports.

MR. DONALD MacDONALD: Their yearly report from the beginning would be available at the board office.

THE CHAIRMAN: This would mean the report on the activities of the board during the year?

MR. DONALD MacDONALD: That would cover I





know at least from 1950 to 1960, it would be in the annual report of the company of the Board to the Board members, all of which would be available at the Board office.

COMMISSIONER DRUMMOND: Would those reports, Mr. MacDonald, indicate to us just what the objects of the Board were at the beginning and what methods were planned to follow in keeping the objects?

MR. DONALD MacDONALD: That is certainly true for the first six years of the Board's existence. I do not know to what extent they have been kept for the last two years, whether they have been carried on in a similar manner or not.

COMMISSIONER DRUMMOND: Are there any other details in the agricultural presses around that time that would be helpful to us?

MR. ROLAND MacDONALD: I believe the Guardian in their report would have a report. I am sure some press reports are available and can be forwarded to the Commission.

MR. YEO: You might find it hard to get an accurate report that you could accept. Actually if you were to take the two different groups that were on the opposite side of the fence, you would get an entirely different report, and it would be hard to decide just where the balance came.

COMMISSIONER DRUMMOND: That seems to be the usual situation.



MR. YEO: In talking about marketing boards, we have and I think it is generally accepted right across Canada, in the fluid milk trade we have our fluid milk marketing producer's board, and it operates pretty much the same as any other milk board across Canada, I believe.

COMMISSIONER DRUMMOND: I was going to ask you a question or two about that. You mentioned here under the heading of Dairy Products on page 6, in the case of fluid milk regulations are established and producer and consumer prices regulated and processing margins set. I take it from that that the prices are determined at both sides; that is the producer and consumer end.

MR. YEO: That is right.

COMMISSIONER DRUMMOND: It definitely fixes prices?

MR. YEO: Yes.

COMMISSIONER DRUMMOND: Which automatically sets the margin?

MR. YEO: Yes. Possibly the only thing that is really at loose ends a bit is the surplus. As a producer, you have no control of your surplus except to have a lower price and in some cases he is not -- I do not say he is not satisfied, but there is a price there that if he was of a suspicious nature he could wonder if he was satisfied or not.

MR. ROLAND MacDONALD: Nearly all the plants that are processing fluid milk in this area



with the exception of one are paying \$1.20 per pound butter fat, and that is based on a Government test. That is not the processors' test, because I am one of the originators of the fluid milk processors and producers association, and I am a member of the local Provincial Milk Board, as I have already said, and your milk price is definitely set by the Board for the retail price per quart on the street.

COMMISSIONER DRUMMOND: How do you go about determining just how wide the spread should be between the two prices, the producer's and the consumer's price?

MR. ROLAND MacDONALD: Well, it would be a lengthy story.

COMMISSIONER DRUMMOND: Do you undertake to make a detailed investigation of the processing costs and the distribution costs?

MR. ROLAND MacDONALD: We have done that. We have the same as you. We have accepted briefs from processors and also from the producers.

COMMISSIONER DRUMMOND: Has there been any consideration here of --

MR. ROLAND MacDONALD: Remember now that the producers and the processors are both in the one organization, and we settle our differences mainly -- I am a producer of fluid milk. I am also -- I represent that association, the Milk Producers and Processors Association on the Provincial



board, but a great many of our problems never come before the board at all. We settle them in our own private meetings.

COMMISSIONER DRUMMOND: Well now --

MR. ROLAND MacDONALD: Of course, the producers in that organization have 95 per cent of the voting power.

COMMISSIONER DRUMMOND: You say that your producers and your distributors are really one organization?

MR. ROLAND MacDONALD: Really one organization. For instance, the Secretary of our association is the manager and owner and the proprietor of the Sunshine Island Dairy, one of the largest dairies in the province.

COMMISSIONER DRUMMOND: Are there any farm co-operatives processing and distributing?

MR. ROLAND MacDONALD: Not in this area.

COMMISSIONER DRUMMOND: Has there been any consideration by your Board of the idea of dropping the price at the retail end? That has been done in some other provinces.

MR. ROLAND MacDONALD: We only take a five-cent spread.

COMMISSIONER DRUMMOND: Is that the same all across this province?

MR. ROLAND MacDONALD: All over the province, yes, with the exception of -- most of the processors



are complaining their spread is not big enough right now, with the exception of one dairy. He is not saying anything. I suppose he would be glad to get more if he could get it, but he is a very efficient dairy man. When we go into the barn, and see a lot of milk on the floor we don't figure he is getting much -- inefficient management.

COMMISSIONER DRUMMOND: Have the number of distributors in your P.E.I. --

MR. ROLAND MacDONALD: There are six in this area, or in Charlottetown.

COMMISSIONER DRUMMOND: Is that any less than it was 10 years ago?

MR. ROLAND MacDONALD: At one time in this town before we had the association, and before pasteurization became compulsory -- well, it really is not compulsory yet, but it is an accepted fact -- we had 35 different distributors on the streets in this city when it wasn't as big as it is now paying \$35 a year for licenses.

PROFESSOR DRUMMOND: A good many producers and distributors.

MR. ROLAND MacDONALD: Producer-farmer. I was at it myself for 14 years.

PROFESSOR DRUMMOND: Has the reduction of the number of distributors made any difference in the width of the spread?

MR. ROLAND MacDONALD: No, I don't suppose it did, but it did put the price up. We were selling milk in the 1920's -- we were selling milk for 10 cents --



I sold milk in this town for 7 cents a quart. Then we got up to 10. Then we decided we were working for nothing and board ourselves so we started to form this organization. We have it up to 18 cents.

COMMISSIONER WALTON: Do you have public hearings any time when you are adjusting your prices or making an increase, or do you have any consumers allowed in?

MR. ROLAND MacDONALD: On the new board -- on the old board it formerly consisted of 3 members -- one for the Government who was the Chairman, and an employee of the Department of Agriculture, namely the dairy superintendent of the province. The other was myself representing the producers and processors, and the other man representing the consumers who happened to be Dr. Carson. Then they changed it. Let me see now, I guess, about a year ago -- it would be about 14 months ago they appointed a five-man commission under the Chairmanship of the County Judge Darby from Prince County, myself representing the producers, a man by the name of Wall representing the processors and two ladies, one from Charlottetown and one from Summerside representing the consumers. So far we have had --

COMMISSIONER WALTON: Are you getting along all right?

MR. ROLAND MacDONALD: We didn't have any meetings.



MR. YEO: Speaking of milk I think possibly Prince Edward Island has the cheapest price in retailing milk of any province in Canada.

COMMISSIONER DRUMMOND: You said 18 cents.

MR. ROLAND MacDONALD: No, 19.

COMMISSIONER DRUMMOND: Your spread is 5 cents which means your farmer is getting what percentage of the consumer's dollar?

MR. ROLAND MacDONALD: You will have to get -- where is your pencil? It is based on \$1.20 a pound butterfat. Our basis of figuring is 3.5 now --

MR. YEO: I think Rolly you are wrong. That brings it to about 10-1/2 cents a quart, so that we are receiving about 55 or 60 per cent of the consumer's dollar.

MR. ROLAND MacDONALD: Maybe I used the word "spread" in the wrong place. That is what the processors tell me they make, their profit would be, and to keep up their rates. Now let me explain it to you and you figure out the spread yourself. Rating each unit as \$1.20 a unit, which was only tested, your price would be to the farmers \$3.60, three times \$1.20. Now for every decimal above 3 he gets 12 cents extra. Now my price at the present time is 3.6, it is \$3.50 per hundred, plus 6 times 12 and if it was 2 or 3 or 4, whatever you like, it is 10 units, 10 times 12 is 120.

COMMISSIONER DRUMMOND: These prices of course would be --



MR. ROLAND MacDONALD: And they do not as a rule pay for more than 4 per cent milk. The dairies kick. They say that if they pay for 4 per cent, they are going in the hole. Now there is no law to prevent them.

COMMISSIONER DRUMMOND: This would assume of course, that all of the milk is actually sold and consumed as fluid milk, and this of course is not the case.

MR. ROLAND MacDONALD: Of course, they had some extra over, but they have to, they are supposed to make a monthly report of the number of quarts of milk retailed on the street, and we have access to their books, and can find out how much they paid for that fluid milk price. Now then if the surplus milk is brought down here to another dairy which is designated specifically to handle the surplus milk at butterfat prices, which right now is what -- 64 cents.

COMMISSIONER DRUMMOND: You have all of your milk sold in stores?

MR. ROLAND MacDONALD: Considerable.

COMMISSIONER DRUMMOND: Any differential in the retail price between store and rural delivery?

MR. ROLAND MacDONALD: We are allowed a differential of a cent.

COMMISSIONER WALTON: At the consumer level?



MR. ROLAND MacDONALD: The retail merchants can charge 20 cents for it, and sold within the limit of the law, and he blames -- remember now he buys it wholesale. He buys cheaper by the case. There is a wholesale price and a retail price set by the law.

COMMISSIONER DRUMMOND: Is there any significant part of your total milk sold in the stores?

MR. ROLAND MacDONALD: Yes, I couldn't give you the exact figures, but it is obtainable all right.

COMMISSIONER DRUMMOND: It is significant?

MR. ROLAND MacDONALD: Yes, if the store carries milk in glass containers in a quart.

COMMISSIONER DRUMMOND: Now the only question on that is this: Your brief states that we believe much of value can be learned from a study of the dairy industry methods of organization and so forth, and charges involved in handling. I am wondering just what was in your mind in writing that, whether you felt that the type of organization, the arrangements in respect of price, the determination of margins that were used in connection with this commodity would be in any way applicable to other farm products?

MR. ROLAND MacDONALD: I believe what the farmers had in mind there, that perhaps this organization of the fluid milk producers and vendors associations

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of Charlottetown area, we had in the vicinity of 35 or 40 vendors in this town all tearing at one another's throat with milk being sold on the streets at 10 and 12 cents a quart. Now during the war years, the Government subsidized us to the extent of 2 cents a quart, and you made out a report and swore to it, and took it to the bank and got a cheque for it. I think everybody always took it, did not perjure themselves, but anyway then we all got together, both processors and producers, and incidentally, there are 110 paid up members in the organization around Charlottetown that are in the fluid milk business, hauling milk to town to the factories as fluid milk. Now our dues are \$5 a year, and either pay the \$5 or don't sell milk. One or the other. In fact, they don't ask you for it, they keep it, because the secretary happens to be -- the processors just hold it off your pay cheque.

COMMISSIONER DRUMMOND: Check off system.

MR. ROLAND MacDONALD: Yes, voluntary check off, that is what it is.

COMMISSIONER DRUMMOND: This is a very big question.

MR. YEC: I think possibly what this has in mind, believing as we do that if they make a study of the dairy industry it would mean that we could possibly better our position, but we do have to keep in mind that some dairy products in the fluid end of it is to service the local area.



There are other factors entering into it, when we get into the export market, factors such as competition and the fact that the fluid milk is very perishable and cannot be hauled over too large a space.

MR. ROLAND MacDONALD: Yes, but you must remember Mr. Yeo, that we did succeed in organizing a closed shop in an area of surplus production, put it that way.

MR. DONALD MacDONALD: I would like to point out gentlemen, that the dairy industry is one field where co-operatives are farmer-owned and controlled organizations control the production and sale of at least 50 per cent of the products, and maybe substantially more was done. Farmer-controlled organizations are a very dominant factor in the dairy industry to a far greater extent than in other places of agriculture.

MR. ROLAND MacDONALD: That is right.

MR. WAUGH: Might I just say we feel that the dairy industry in this province, that it is probably better organized than in any other branch of our farming endeavour. We have the Dairy Association, private enterprise, we have co-operatives, we have the farmers representing the organization, they are all working together for the benefit of the industry, for the benefit of the producer and consumer as well.

I don't think anyone is getting rich in it.



I don't think anyone is getting very poor. They have it organized that they don't wish to, they wish to produce, they wish to sell, and they wish to carry on in the business in a business-like way, and I think they have fairly well succeeded in doing that. I don't think they are trying to create a hardship either on consumer, and do not wish to get rich. They just want to distribute the milk the best way they can.

COMMISSIONER DRUMMOND: Just one or two more questions here. Your section dealing with processing and packaging, you state that processing and packaging does not tend to increase the farmer return on the product, on the contrary the opposite is the case. I am wondering if you want to put any limitations on that statement at all?

MR. WAUGH: Well processing and packaging is felt it is a fairly expensive thing that is to carry it to extremes, and I don't know it seems in some cases it is --

COMMISSIONER DRUMMOND: There are some people of the opinion that by improving packaging, for example, that can result and in fact does result in an expansion of the volume of sales of your products, and thereby may tend to increase your net income, more than the cost involved in doing this packaging. Now I was just wondering what your reaction could be to that.



MR. WAUGH: It might on a portion of the product. People can only eat so much. If they are going to eat more on one, they are going to cut down on the other. I will admit it is nice to have the product done up attractively. We believe probably it should be done, but go to extremes and keep on more expensive packaging, it can only result in either we will get less or the consumer has to pay more.

COMMISSIONER DRUMMOND: You have gone some distance in the packaging of your main cash crop potatoes in smaller packages and so forth. Do you feel in general that has been definitely beneficial to the farmer?

MR. YEO: I think you can say that it was something that is happening. It is something that people accepted, the small packages, and you either get into that or else you get out of production altogether.

The packaging that I would be more concerned with is the meats, and processed meats and vegetables, the quick frozen industry and all that. That is where the great spread comes between producer and consumer. Now I will admit that consumers, the consumers are always right, and if they want a certain thing that is the way we have to give it to them. Unfortunately the consumer as our brief states, and I think it is right, they don't understand how much of it is getting back to the farmers. Neither do they care, and I might as well be frank about it in saying that the opposite is the same. The producer, he is worried



what he is getting and not too concerned what the consumer is paying and there is a need for those groups to get together and understand the position of the other. That I think will be the best result of your inquiry is to bring it before the public, just what it does cost the consumer really, and what the producer is receiving for his product. This trend of getting into smaller packages, done up fancy like, the consumer wants it and they are going to have it, but it is cutting down the prices that I feel -- although I really couldn't put a figure on it, as to what the producer is getting.

COMMISSIONER WALTON: Was that what you meant on page 5, that the farmer is suffering a greater discount on off grades than the margin offered to the consumer would appear to be justified. Then further up you amplify it by giving the example of a great confusion of understanding of grading, one, two, three, fancy, choice and standard, and because the consumer does not understand these particular grades, that the second and third grades are not in demand by the consumer, and so as a result there is a greater discrepancy in the price.

MR. YEO: On different products you get different reactions. Very often I don't think the consumer knows what the colour of a label means, and in some co-operatives they put up their three coloured labels, and in some cases even co-operative consumers do not understand what they mean.



COMMISSIONER WALTON: They do have to put the grade in as well as the colour.

MR. YEO: They have to put the grade in. I believe the attractiveness of a label has more to do with it than the printing that is on it; in a lot of cases.

COMMISSIONER WALTON: We were told of a case where one husband was sent by his wife to get peas, and told to get anything but standard, so he brought back substandard.

COMMISSIONER DRUMMOND: I was interested in your statement that the consumer is always right, and yet in your brief it seems to me you repeatedly suggest a need for more consumer education. Would you say that it is possible to make the consumer more right by more consumer education?

MR. YEO: I say the consumer is always right, I am using a term that is used in merchandising circles, and especially in talking to staff, do not argue with a consumer if they want something, give it to them.

COMMISSIONER DRUMMOND: What I would really like to know is how much you think it is possible by process of consumer education to influence the consumer's attitude towards these various types of packaging, and these various other things you mention.

MR. ROLAND MacDONALD: Dr. Drummond, hasn't the consumer been educated every hour of the day? Hasn't he been saturated with propaganda all the time



about specific brands. You cannot turn on the television or radio and you won't hear a soap opera say to us "What about that". Isn't that education to the public?

COMMISSIONER DRUMMOND: Is that education or is it deliberate propaganda?

MR. ROLAND MacDONALD: Well, it is education or propaganda. At any rate, I consider that the consumers have been so taken by the propaganda I think we should get some propaganda from the producer's standpoint.

COMMISSIONER DRUMMOND: I am just wondering if you think it is possible in practice to have a type of consumer education?

MR. ROLAND MacDONALD: For instance, a lady was talking about beef or somebody was talking about beef here. Now, the brand of beef coming out commercially has got little or no difference except in the package or the carton. I think I know something about beef. The difference between the two of them would not be discernible to the uneducated eye of the average housewife. The consumers want and demand that. The cost of living is changing, and I know it is. I think that if there was a law passed against making can openers we would all be better off, because too much of their stuff goes on the table in a prepared condition. The average housewife -- I suppose I am going to get jumped over about this -- the average housewife just doesn't



want to do anything. That is partly your trouble.

COMMISSIONER DRUMMOND: Do you think it would be possible in practise to enforce such a law?

MR. ROLAND MacDONALD: I don't know.

COMMISSIONER WALTON: I think that the meeting between you and your representatives on the Milk Board is going to be very interesting when you have a couple of ladies there.

MR. ROLAND MacDONALD: But isn't it true? I remember the time going around in this province when there wasn't one bread wagon and there wasn't one bread truck travelling the province. Today you meet them every two or three miles. The country woman today is buying packaged bread. Instead of paying \$1.06 for a hundred pounds of bread she is paying about \$20 for flour. That is the difference.

MR. YEO: For diplomatic reasons I would wish the Commission and the press not to associate myself with the remarks of Mr. MacDonald.

MR. ROLAND MacDONALD: Well, Mr. Yeo was always a timid soul.

COMMISSIONER COUVRETTE: On page 4, just a question or two, in the processing and packaging again, would you give a definition of the words "returns" "farmer's returns on the product" about the middle of the paragraph? Do you mean by that the share in the consumers' dollar? That is on page 4, in the middle of the last paragraph: "However, processing and packaging does not tend to increase the farmer's



returns on the product"?

MR. ROLAND MacDONALD: According to the National Journal of Statistics published by the Dominion Government, there was one time the farmer got, I think it was, something like 60 per cent of the consumer dollar. When it came to year 1951, if I understand the recent statistics correctly, he is getting 37 cents of the consumer dollar.

COMMISSIONER COUVRETTE: Would you all agree that that is the meaning of the word "returns". That is, your definition of it is, that is the producer's share of the consumer dollar, or would it indicate something else?

MR. ROLAND MacDONALD: No, it would be our share of the consumer's dollar.

COMMISSIONER COUVRETTE: Would you all agree on that?

MR. YEO: Yes, I think in so far as increased returns with the exception of somewhere over the past year, the returns to farmers, that is his gross return possibly has increased slightly, but his net return has not. The statistics that get the most publicity in the paper concerning farmer's income is usually on their gross return rather than their net return.

COMMISSIONER COUVRETTE: The reason for my question is this. You seem to imply that because there is some processing and packaging of foods that we would have to assume that the share of the



consumer dollar to the producer should remain the same. It strikes me that the producer has so much to do to sell his product. Then the processing and packaging comes in. I fail to see if the spread is getting wider that the producer's share ought to be larger. I fail to see how it can be done and why it should be claimed that there is a decline from the producer's point of view, because of that. This is not the first time we have heard that. We have heard in other provinces that the primary producer is complaining that his share of the consumer's dollar is getting lower; therefore he says this is a declining situation, a bad situation for the producer. What has it got to do with the added cost coming from the processing and packaging in which he is taking no part whatsoever?

MR. YEO: I see what you mean. The party that processes and packages has a valid -- he has done a valid service there that requires him getting paid for. It has cut down on the producer's share of the consumer dollar.

Only as much as somebody else has stepped in to get another slice out of it. I do not think that we can -- we cannot discredit the other party from stepping in there and getting a share of it, but those of us who are practising agriculture know what we are getting, what our financial position is and also knowing that the cost of living to the



the consumer is going up -- this is the conclusion that we just have to come to.

COMMISSIONER COUVRETTE: Well, may I suggest that the conclusion you are coming to is rather that you are not getting enough, but not that it has any relationship whatsoever with the share of the consumer dollar that you should get necessarily.

MR. ROLAND MacDONALD: Would you accept an economist's judgment on that better than ours?

COMMISSIONER COUVRETTE: Well, not necessarily.

MR. ROLAND MacDONALD: The late Dr. Hope is our authority, and I think he was paid \$10,000 a year or better by the Federation of Agriculture to just figure these things out. He, in his various periodicals, which we get from our own association,--

THE CHAIRMAN: Let me put it this way. Supposing that the price is a dollar, and you are getting 40 cents. Now, some advertising man gets an idea that he can make these products more attractive to the consumer, and so he devised some box or gadget or label for doing this. This costs money, and supposing that the price to the consumer went up to \$1.02 in order to cover the additional cost of this. You are still getting 40 cents. Your share of the consumer's dollar has now fallen, but it doesn't effect your position at all, except perhaps this way, that there may be relationship between the increase in price to the consumer and the quantity



which the consumer will buy.

Now, let us just suppose this was a good gadget, and that in fact was at \$1.02, the consumer will buy more. Well then, this works itself away back to your position, and it is possible that you may be able to sell more of the product at 40 cents, or you might even now be able to get 41 cents, because the consumer demand for the product has been increased by this effective gadget in the marketing system which has increased the consumer's demand for the product.

I am not saying it always works that way. I just give an illustration of a situation in which it might be said that the producer's share has declined, but there is no evidence the producer is any worse off because of that.

COMMISSIONER COUVRETTE: I would be inclined to go along with this type of opinion by an economist.

MR. ROLAND MacDONALD: Of course, your example is purely supposition. It is not actual fact.

THE CHAIRMAN: That is right, it is purely supposition. It is a hypothetical illustration. I think that is the point Mr. Couvrette was trying to get at. This cannot really effect your position detrimentally although your share of the final consumer dollar is less .

MR. ROLAND MacDONALD: Well the cost of



the product in getting it to the consumer can be divided into, the labour involved could be divided into the farmer's labour and the non-farm labour. The non-farm labour is always at a much higher level than the farm labour hourly, or daily, weekly, or monthly, so that the more non-farm labour that goes into a product, the higher in price it is going to be, and the farm labour end of it is not going to go up at a corresponding rate.

THE CHAIRMAN: There are a great many situations. This is one of the problems in looking at this. There is no quick answer to that.

MR. ROLAND MacDONALD: Perhaps this would give you kind of a picture. Now I happen to be the third generation on the land, and I have no hesitation in suggesting income on the farm at the present time would be five times as great as when I was a boy, but what is left after expenses are paid -- that is what we live on. For instance, 11 or 12 years ago I bought a Cross and Wood tractor, not a great big one, but one sufficient to work on the farm, and I paid \$1,010 for it right down the street. Last Fall I bought the equivalent of that on a 1956-57 model, which is still to do the work on the same farm. and it cost me \$2,495. Now would that be any indication and everything else all along the line, of where we stand in regard to what we have to live on.

THE CHAIRMAN: We are quite conscious of this.



We have studied the statistics and we know that since 1951 farm prices have fallen, but the prices for the things the farmers buy has been rising, and this is the cause in the price squeeze, and net incomes have been declining from the high of 1951. This is the context of which we have to study our problem which is specifically related to the spreads.

MR. ROLAND MacDONALD: I mentioned to Mr. Dawson here a moment ago if he would look at the for sale column in the Morning Guardian he will see about five or six good farms in good farming communities of old farmers advertised for sale this morning. Tomorrow morning it will be the same, and the next morning it will be the same right along, they are trying to sell. Some of the excuses they haven't got help, shortage of help, various excuses, but in fact in the main they are being sold every day and abandoned.

THE CHAIRMAN: Well we have another brief we would like to hear now. I would like to say we have been very grateful to you for this presentation, and as you have explained it is not in detail, but we do appreciate the quality of the thinking that has gone into this, and we are very grateful to you for answering our questions and helping us to get these helpful comments here. Thank you very much.

MR. WAUGH: We are very happy to have had the opportunity of presenting the brief, and found



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Mr. Waugh

you very easy to get along with. Thank you very
much.



SUBMISSION OF
CO-OPERATIVE UNION OF PRINCE EDWARD ISLAND

Appearances:

Mr. L. O'Connor	President
Mr. Donald MacDonald	Secretary-Treasurer
Mr. G. Labelle	Extension Department, St. Dunstan's University

THE CHAIRMAN: The brief of the Co-operative Union of Prince Edward Island will be filed and marked as Exhibit No. 40.

EXHIBIT NO. 40: Brief submitted by
Co-operative Union of
Prince Edward Island.

Mr. MacDonald, I understand you have a dual purpose here, you are going to submit the brief of the Co-operative Union of Prince Edward Island.

MR. MacDONALD: Mr. O'Connor is President of the Co-operative Union and there is also Mr. George Labelle.

THE CHAIRMAN: You are an employee of the Department of Agriculture?

MR. LABELLE: No, St. Dunstan's University.

MR. O'CONNOR: Mr. Chairman, members of the Commission, on behalf of the Co-operative Union of Prince Edward Island, I take great pleasure in tendering to your Commission a very hearty welcome to Prince Edward Island. We are very happy to have the opportunity to present a brief to you.



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Mr. O'Connor

Mr. MacDonald needs no introduction. I would suggest that you call on Mr. MacDonald to present this brief, and I also may say that this brief is supporting the brief of the Federation of Agriculture, and the brief that was presented to you from the Maritime Co-operative Services at Moncton, which deals specifically with potatoes and turnips. I might also say that in that field Mr. MacDonald is an expert on this Island. He has had the experience, and he can answer the questions. I myself am only a farmer. When it comes to financing and marketing, I cannot answer too many questions.

THE CHAIRMAN: We will ask Mr. MacDonald if he will read the brief.

MR. DONALD MacDONALD: This presentation is submitted on behalf of all producer and consumer co-operatives in this province, who, by their very nature, must be ever solicitous of what primary producers receive for food products and what the ultimate consumer has to pay for sure.

We fully support in principle the submissions already made to you by Maritime Co-operative Services and the Prince Edward Island Federation of Agriculture and propose to deal only with two very important cash crops produced extensively here, namely, turnips and potatoes.

Turnips: Farmers in this province have grown table turnips for interprovincial and export sale for many years. In fact, our province and some



areas in the province of Ontario, such as Huron, Elgin and Oxford counties, produce most of our domestic requirements and a substantial exportable surplus as well. Our production is basically of high quality and, generally speaking, is mostly sold in market areas such as Boston and New York.

Chart No. 1 and Table No. 1 will indicate to you the much lower price levels prevailing in this province compared to those which Ontario farmers receive and we point out most definitely that no matter whether Island farmers receive one-half cent per pound or two cents per pound, consumers of this product usually pay six to eight cents per pound for same. A suggested remedy for this intolerable situation is required.

Potatoes: Prince Edward Island has a world-wide reputation for quality production of both seed and table potatoes. This phase of our agricultural production represents the Island's chief cash crop. Each year from 40,000 to 45,000 acres of potatoes are grown which produce an exportable volume of from 10,000 to 14,000 carloads.

Producers of this product have always had to contend with drastic price fluctuations and the present season has been no exception. In fact, during the past several months market levels have been jumping up and down to such an extent that day to day values no longer bear any resemblance



to stability for either producers or shippers.

Chart No. 2 and Table No. 2 will indicate to you price changes (giving range from high to low for each week starting with the week ending January 3rd to the week ending April 11th) to both producers here and shippers of Island potatoes to the Toronto market.

Chart No. 3 compares price to Island shippers from Toronto dealers, and wholesale to retail prices for same. We suggest to you that such price changes bear no proper relationship to either available supplies of the product or consumer requirements, but are brought about by outright speculations on the part of certain buying interests in this country whose actions are closely aligned to what happens each day to price levels for Maine potato futures on the New York Mercantile Exchange.

Chart No. 4 and Table No. 3 will show you the price changes on the Exchange and their comparison with the other charts and tables will tend to prove the opinion that gambling interests supported by extensive financial resources can manipulate the Mercantile Exchange in such a manner as to control the price structure of potatoes not only in the United States but in our country as well. This contention is supported by the fact that Island shippers must now usually wait until after 11 a.m., each morning, when the opening exchange prices become known, before they can receive firm quotations



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Mr. MacDonald

from Montreal or Toronto dealers.

In conclusion, this organization deploras
the existing conditions outlined and also the fact
that Island potato growers this year have had to
accept price levels so far below those prevailing
in the state of Maine. We trust the learned
members of this Commission can and will suggest
a proper remedy.

(For Charts 1, 2, 3 and 4 please refer to Exhibit 40)

TABLE No. 1

Prices of Turnips per Bushel Bulk in Buyers' Bags at car in P.E.I., and Bulk at Waxing Plant in Huron County, Ontario, from August 23, 1957, to April 11, 1958.

<u>For week Ending</u>	<u>At Wax Plant, Huron County, Price per Bu.</u>	<u>At Car In P.E.I. Price per Bu.</u>
Aug. 23	85	80 - 85
" 30	70	45 - 55
Sept. 6	55	45 - 55
" 13	55	45 - 60
" 20	55	45
" 27	50	40
Oct. 4	45	35
" 11	45	35
" 18	40	35
" 25	40	35
Nov. 1	50	35
" 8	50	35
" 15	60	35
" 22	60	35
" 29	60	35
Dec. 6	60	35
" 13	60	35
" 20	60	32
" 27	-	-
Jan. 3	60	32
" 10	60	32
" 17	70	35
" 24	70	32 - 35
" 31	1.00	40
Feb. 7	1.00	40 - 50
" 14	1.00	55
" 21	1.00	55
" 28	-	1.00
Mch. 7	1.25 - 1.50	1.10
" 14	1.25 - 1.50	1.00 - 1.10
" 21	1.25	90 - 1.00
" 28	1.25	90
Apr. 8	1.25	90
" 11	1.25	90

Figures from various issues of: Fruit, Vegetable and Honey Crop and Market Report, Canada Department of Agriculture Marketing Service.



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TABLE No. 2.

Cars P.E.I. Potatoes unloaded in Toronto, by weeks, Price Delivered to Shipping Point in 75 lb. bags on P.E.I., Price to Island Shippers by Toronto Dealers and Price Wholesale to Retail in Toronto by weeks from week Ending January 3 to April 14, 1958.

<u>For Week</u> <u>Ending:</u>	<u>Cars P.E.I.</u> <u>Potatoes</u> <u>Unloaded</u> <u>Toronto:</u>	<u>Prices Delivered</u> <u>Shipping Point,</u> <u>P.E.I., in 75</u> <u>lb. bags:</u>	<u>Price to</u> <u>Island</u> <u>Shippers</u> <u>by Toronto</u> <u>Dealers,</u> <u>75 lb. Bags</u>	<u>Price</u> <u>Wholesale</u> <u>to Retail</u> <u>Toronto,</u> <u>75 lb. Bag.</u>
Jan. 3	61	1.02	--	1.75 - 2.00
" 10	50	1.02	1.57 -1.80	1.80 - 2.00
" 17	80	1.12	1.80 -1.82	1.85 - 1.95
" 24	71	1.17	1.80 -1.85	1.85 - 2.05
" 31	81	1.07	1.75 -1.80	1.85 - 2.00
Feb. 7	8	1.02	1.65 -1.75	1.70 - 1.75
" 14	47	1.02	1.65 -1.70	1.80 - 1.90
" 21	29	1.31 - 1.32	1.70 -2.10	1.95 - 2.15
" 28	133	1.42 - 1.97	2.40 -2.90	2.55 - 3.00
Mch. 7	121	1.97	2.65 -2.80	2.80 - 3.00
" 14	143	1.97 - 2.12	2.60 -3.00	2.75 - 3.00
" 21	126	2.12 - 2.47	2.68 -3.25	2.90 - 3.45
" 28	128	1.77 - 1.87	2.40 -2.65	2.75 - 3.15
Apr. 3	42	1.77 - 1.82	2.55 -2.65	2.65 - 2.85
" 11	60	1.77 - 2.02	2.25 -2.65	2.65 - 2.85

Data from Various Issues of: Fruit, Vegetable and Honey Crop and Market Report, Canada Department of Agriculture, Marketing Service, and from Sales' Records at Producers Co-operative Ass'n. Limited, Charlottetown, P E.I.



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TABLE NO. 3.

Maine Potato Futures for March, April and May
Delivery, 1958, on the New York Mercantile Exchange.
Prices are the high for each day for a Hundred Pound
Bag.

<u>Date</u>	<u>March Delivery</u>	<u>April Delivery</u>	<u>May Delivery</u>
Jan. 15	3.16	3.31	-
" 16	3.19	3.36	3.49
" 17	3.28	3.48	3.65
" 20	3.29	3.48	3.66
" 21	3.24	3.42	3.61
" 22	3.42	3.54	3.75
" 22	3.31	3.51	3.74
" 24	3.23	3.45	3.67
Jan. 27	3.17	3.40	3.61
" 28	3.21	3.47	3.68
" 29	3.19	3.47	3.69
" 30	3.16	3.42	3.64
" 31	3.14	3.40	3.62
Feb. 3	2.14	3.44	3.65
" 4	3.20	3.51	3.72
" 5	3.14	3.47	3.67
" 6	3.12	3.44	3.65
" 7	3.15	3.50	3.73
Feb. 10	3.21	3.57	3.83
" 11	3.22	3.60	3.86
" 12	3.20	3.47	3.84
" 13	3.30	3.72	3.98
" 14	3.30	3.53	4.02
Feb. 17	3.55	3.95	4.20
" 18	3.78	4.25	4.50
" 19	3.65	4.15	4.44
" 20	3.64	4.23	4.54
" 21	3.71	4.33	4.56
Feb. 24	3.90	4.53	4.85
" 25	4.20	4.80	5.15
" 26	4.15	4.80	5.25
" 27	3.92	4.53	4.93
" 28	3.79	4.44	4.92

Forward

TABLE NO. 3
(continued)

<u>Date</u>	<u>March Delivery</u>	<u>April Delivery</u>	<u>May Delivery</u>
Mar. 3	3.73	4.36	4.89
" 4	3.98	4.55	5.10
" 5	4.25	4.80	5.40
" 6	4.43	4.88	5.59
" 7	4.35	4.93	5.67
Mar. 10	4.37	4.96	5.78
" 11	4.37	5.02	5.90
" 12	4.40	4.97	5.88
" 13	4.35	4.95	5.67
" 14	4.55	5.20	5.95
Mar. 17	4.75	5.29	6.05
" 18	4.40	4.85	5.80
" 19	4.40	4.59	5.55
" 20	-	4.53	4.60
" 21	-	4.37	5.40
Mar. 24	-	4.04	4.99
" 25	-	4.30	5.25
" 26	-	4.47	5.50
" 27	-	4.16	5.29
" 28	-	4.20	5.32
Mar. 31	-	4.20	5.28
Apl. 1	-	4.10	5.30
" 2	-	4.49	5.55
" 3	-	4.57	5.74
" 4	Holiday, closed	Holiday, closed	
Apl. 7		5.00	5.95
" 8		4.89	6.10
" 9		4.53	5.70
" 10		4.24	5.40
" 11		4.06	4.05
Apl. 14		4.09	4.90
" 15		3.70	4.35
" 16		3.55	4.05

Information from various Weekly Bulletins issued
by The Potato Service, Chicago 12, Illinois.



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You will notice Chart No. 1, gives turnip prices in this province, and at the waxing plant in Huron county, Ontario, during the present season. Table No. 1 gives the actual prices and the source from which the information is obtained, and I may add that these price differentials as shown have been repeatedly shown for a number of years, sometimes even to a greater extent than we have in the table, which covers past years.

Chart No. 2 shows the price of P.E.I. potatoes delivered to the shipping point, P.E.I. for 75-pound bags and prices to Island Shippers from Toronto dealers in 75-pound bags; and I would make one observation in that regard; that the differentials between what the producers here have been receiving and what the shippers have been receiving from Toronto dealers are normal differentials, and do not indicate any unduly high profit margins for the shippers.

THE CHAIRMAN: I am sorry. You are referring to Table 2 at the moment?

MR. DONALD MacDONALD: Chart 2.

THE CHAIRMAN: Chart 2 is based on Table 2.

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: So that I may be clear, take January 10th, there were 50 cars of P.E.I. potatoes unloaded in Toronto. Price delivered to the shipping point P.E.I. in 75-pound bags was \$1.02. The price to the shipper in Toronto ranged from \$1.67 to \$1.80. You say that is a normal



spread?

MR. DONALD MacDONALD: Considering the assembling cost at 6 cents per sack, freight of 46-3/4 cents per sack, brokerage of 3 cents and heat charges of over 5 cents, I would consider the spread normal.

THE CHAIRMAN: That is over 60 cents. I am sorry I interrupted you, but I just wanted to make sure as to what you referred to.

MR. DONALD MacDONALD: That is perfectly all right, sir.

The Chart No. 3 gives the price of P.E.I. potatoes to Island Shippers from Toronto dealers and the price wholesale to sell on the Toronto market.

Chart No. 4 gives fluctuations on the New York market, which have been very drastic, sometimes representing a difference in a four-hour period from 50 to 60 cents per 100 pounds in one day.

We have had a similar type of fluctuation on our markets due to the fact that apparently in the past several months even Toronto and Montreal market levels are tied very tightly to what happens each day on the New York Exchange.

THE CHAIRMAN: Those are future prices?

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: Future delivery?

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: Just to make sure I understand



the data correctly. Let us take the week ending January 17 on Table 2. During that week the cash price delivered shipping point P.E.I. was \$1.12.

Is that right?

MR. DONALD MacDONALD: Which week, sir?

THE CHAIRMAN: The week ending January 17th.

MR. DONALD MacDONALD: Yes.

THE CHAIRMAN: The price at Toronto for a 75-pound bag was then \$1.80 to \$1.82.

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: We turn over to Table 3, and looking at January 17th, this means then on that day roughly, because this is for the week ending, on the day on which potatoes were selling, January 17th, in P.E.I. at \$1.12, it would have been possible to sell them for future delivery, March delivery at \$3.28 for a 100-pound bag in the United States. That is less, of course, shipping costs.

MR. LABELLE: That is a 100-pound bag on the Mercantile Exchange, and a 75-pound bag at P.E.I. shipping point.

THE CHAIRMAN: I am just trying to get the relationship between the prices shown on Table 3 and the prices shown in Table 2, and on January 17th the cash price P.E.I. was \$1.12 for a 75-pound bag on that day and March delivery futures in New York was \$3.28 for a 100-pound bag. That is a correct interpretation, is it?



MR. O'CONNOR: Delivered in New York, plus the transportation factors which have to be taken into consideration and duty and so forth, and if you could sell P.E.I. Island potatoes in the Mercantile Exchange -- you can't do it, but Maine potatoes are sold there, and in very great volume. They apparently have been the dominant feature not only in the United States markets, but in our markets as well.

THE CHAIRMAN: I just wanted clarification at the moment. I may follow that up with questions, but I am going to ask Mr. MacKichan who will direct the questions.

COMMISSIONER MacKICHAN: In your very comprehensive brief, and very good brief, most products were mentioned, but potatoes were only mentioned casually. I take it that potatoes are the dominant factor in the economy of Prince Edward Island, and as farmers you tell us you would like to bring our attention to this feature particularly, and to bring potatoes and turnips under special notice.

Turnips you mentioned first. I may say right here, this Commission is not inclined to question your statement as to the excellent quality of Prince Edward Island potatoes. We do not wish to enter into any argument on that.

Is the production of table turnips increasing or decreasing?



MR. DONALD MacDONALD: They are remaining fairly steady, sir. Small variation -- up and down from year to year.

COMMISSIONER MacKICHAN: Are turnips washed and waxed in Prince Edward Island?

MR. DONALD MacDONALD: In part. A certain percentage of the movement is put up and waxed.

COMMISSIONER MacKICHAN: That would be for the American, United States market?

MR. DONALD MacDONALD: Right.

COMMISSIONER MacKICHAN: What size packages, bags, do you usually use?

MR. DONALD MacDONALD: Fifty pounds.

COMMISSIONER MacKICHAN: And when you quote this half a cent, two cents per bag per pound per turnips, would this be crated in bags?

MR. DONALD MacDONALD: Right.

COMMISSIONER MacKICHAN: And would that be subject to re-inspection and check?

MR. DONALD MacDONALD: Right.

COMMISSIONER MacKICHAN: And there would appear to be a fairly substantial spread between the average of say one cent, between half a cent and two, and the six or seven paid by consumers. What part of this differential would be freight?

MR. DONALD MacDONALD: To Boston, did you say?

COMMISSIONER MacKICHAN: Turnips would be



to Boston. Is that the Boston price you were quoting there, six to eight?

MR. DONALD MacDONALD: Yes.

COMMISSIONER MacKICHAN: What would the freight roughly be?

MR. DONALD MacDONALD: 98 cents a hundred pounds, 49 cents.

COMMISSIONER MacKICHAN: We will call it 50 cents -- it is easier to figure. It is roughly a cent a pound. Duty?

MR. DONALD MacDONALD: It is very small. Only a fraction of a cent duty and entry.

COMMISSIONER MacKICHAN: Last year the important figure there would be the discount on American funds on potatoes. What are the relative percentages between table stock and seed stock?

MR. DONALD MacDONALD: Two-thirds of the Island product is produced as seed, but only from one-quarter to one-third is sold as seed. The rest of the seed product is sold as potato stock.

COMMISSIONER MacKICHAN: I think that was the part we were more interested in. We were just interested in what portion was actually sold as seed, and the portion sold as staple product.

MR. DONALD MacDONALD: One-quarter to one-third was sold actually as seed.

COMMISSIONER MacKICHAN: What is the price for seed, let me say as a staple, as it is a table stock. Is it the same fluctuation in price over



the season?

MR. DONALD MacDONALD: Most of our seed is exported in the 12 months, and we do not get the same amount except in very rare occasions. You don't get the similar extent of fluctuation, but last Fall there was very little change in seed prices once it was established until the end of the season.

COMMISSIONER MacKICHAN: That expression a contract of seed, there is usually a contract covering it?

MR. DONALD MacDONALD: In part, yes.

COMMISSIONER MacKICHAN: So there would be there, the initial initial staple would be high or low, probably storage and everything would be included. It may be possible that seed today exported does not quite fit into our Terms of Reference as the Chairman read them, but I think we are interested in it as revealing differences or the effect it may have on the total, but what we are really interested in is the average price for the season, or gross income, rather than we are interested in the spread on table stock. Now the thought that seems to be running through your brief is the matter of the instability of the market. The various factors which are effecting it, and the insecurity there is in the whole operation.

MR. DONALD MacDONALD: Not only of producers, but of shippers as well.



COMMISSIONER MacKICHAN: And dealers and handlers, and you mention these New York speculators seem to have an influence on the market out of all proportion to the rise of supply and demand.

MR. DONALD MacDONALD: That is right.

COMMISSIONER MacKICHAN: Is that correct?

MR. DONALD MacDONALD: That is correct.

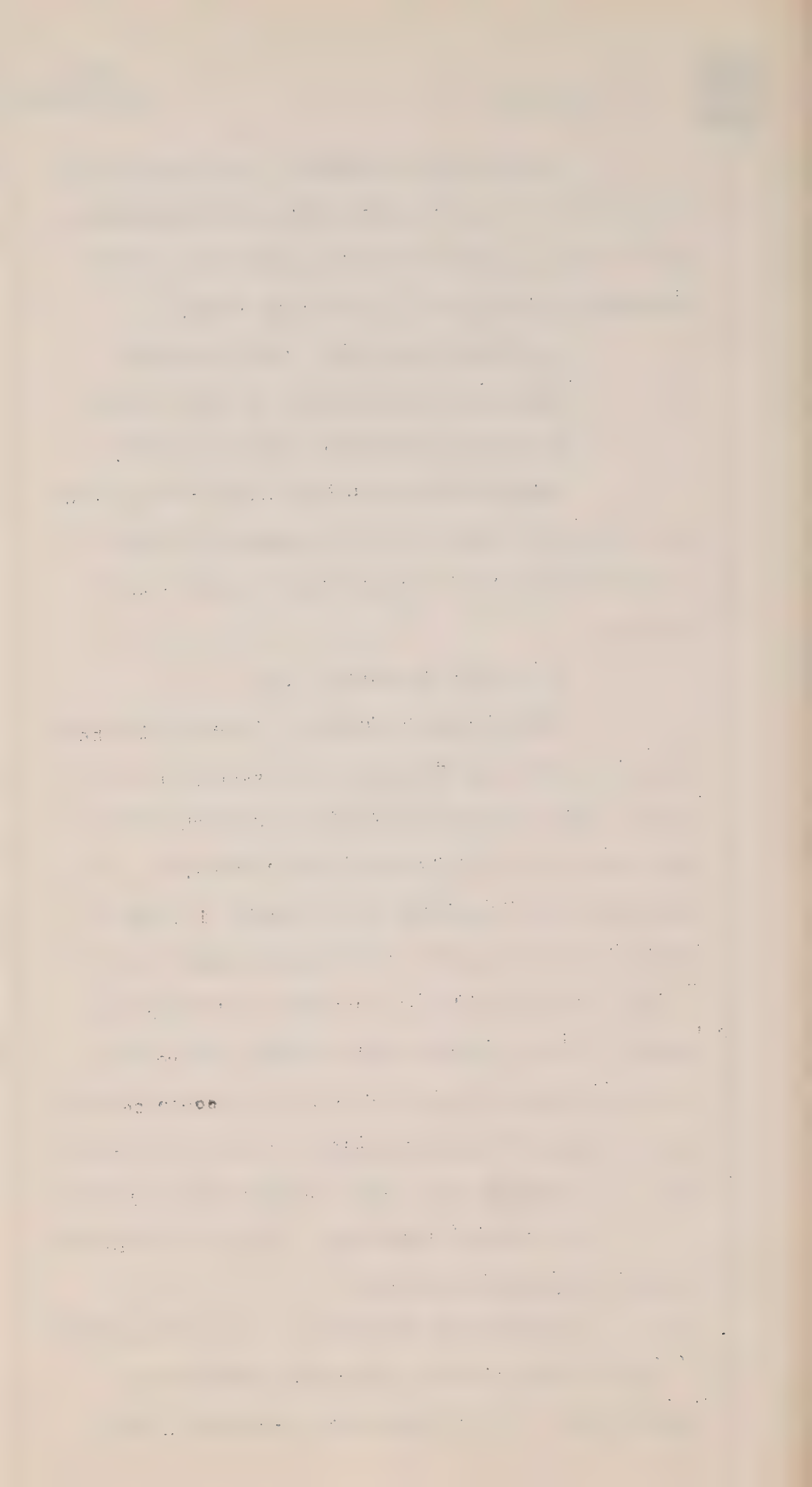
COMMISSIONER MacKICHAN: And I would gather from your brief that they do not supply any useful service as far as the consumer and the farmer are concerned.

MR. DONALD MacDONALD: No.

COMMISSIONER MacKICHAN: We have had in the discussions here and elsewhere the statement, and I think a sound statement too that in between there there was some useful service being performed. It seems there is a question as to whether it might be necessary or the extent of the spread might be up or down, but by and large they were performing the service, but this group we are talking about here, or you are speaking about as far as you are concerned they are not performing any service apart from getting rich. I wonder if they take a licking now and again?

MR. DONALD MacDONALD: Well as some people get rich other people get poor.

COMMISSIONER MacKICHAN: I am quite willing to concede that, but the same people though are speculating. Do you think they are smart enough





to always guess right?

MR. DONALD MacDONALD: I presume they are some of the smartest people available in that particular field, or else they wouldn't be there.

COMMISSIONER MacKICHAN: Particularly if they are self-employed. Would you have many local speculators that have some influence?

MR. DONALD MacDONALD: A great many of them, even at producer level.

COMMISSIONER MacKICHAN: I am prepared to accept that, but I think that Prince Edward Islanders are always known for being good sports anywhere from black foxes to potatoes, and willing to take a chance, but in this New York group are there any publication or any reports that are available to the public of its activities?

MR. DONALD MacDONALD: Just what has come out by several marketing services.

COMMISSIONER MacKICHAN: Just the day to day quotes or the hour to hour quotations?

MR. DONALD MacDONALD: That is right.

COMMISSIONER MacKICHAN: But there is nothing --

MR. DONALD MacDONALD: We know for example in Charlottetown, five minutes after the Exchange opens what it opens at.

COMMISSIONER MacKICHAN: Yes, you mentioned in your brief at Montreal or Toronto brokers are somewhat reluctant or unable to quote a price until the



New York Exchange opens.

MR. DONALD MacDONALD: That is quite true.

COMMISSIONER MacKICHAN: It seems quite an influence. It is a very substantial influence in fact. Have you any idea if there is a corporate body? Do you have any information that might be of interest to us, academic if not otherwise?

MR. DONALD MacDONALD: Regarding the operations of the exchange some in stock exchange or grain exchange, similar of nature and purpose.

COMMISSIONER MacKICHAN: Is it just vegetables or seed potatoes alone?

MR. DONALD MacDONALD: Just potatoes. This section we refer to is just potatoes.

COMMISSIONER MacKICHAN: But I mean this organization here. In this table, I think it is Table 2 -- if you will turn to that. In March, 121 cars, 143 cars, 126 and 128 when on the 21st I believe, we reached the lowest price there. I was just wondering if it was consumer resistance or bad roads that made the drop from 128 cars to 42 in shipment.

MR. DONALD MacDONALD: No, substantial fluctuations in the volume moving must always occur.

COMMISSIONER MacKICHAN: I know at that time of year with the sort of winter we had, the outlying road became very very bad. I was just wondering if you could relate it to resistance to high prices, speaking now as a consumer rather



than a farmer.

MR. DONALD MacDONALD: Is there a drop?

COMMISSIONER MacKICHAN: The drop in shipment.

MR. DONALD MacDONALD: The drop in volume.

COMMISSIONER MacKICHAN: From 128 to 42 in a week.

MR. DONALD MacDONALD: I doubt if I could.

COMMISSIONER MARTIN: Are your shipments lower at that time to Montreal to some extent?

MR. DONALD MacDONALD: The big bulk takes place in the Fall. There is a follow-up movement down through the winter months, and even to the present time. Certain areas in Canada and the Northern States have increased shipments to some extent.

COMMISSIONER MacKICHAN: There were five weeks that were quite consistent, and the change was very drastic. I wonder if there was any implication.

MR. LABELLE: I think, Mr. MacKichan, I do not remember correctly -- I think it was roads and weather conditions.

COMMISSIONER MacKICHAN: Pardon?

MR. LABELLE: It may have been roads and weather conditions, because the price in the following weeks was about the same.

COMMISSIONER MacKICHAN: Mr. Chairman, that covers the questions that I have in mind.

THE CHAIRMAN: I would like to ask you a



few questions, Mr. MacDonald. I do not think we have the time to explore this product thoroughly, but I think it only fair to say that I should qualify some of the views expressed here. Let me try and get right to the point so that we shall not waste time over it and get your views.

This whole question of speculation is one of the points that we are interested in, and yet it is a very confusing one, because you have yourself applied it to the producers and you have also applied it to the person who was buying and selling contracts in the future's exchange. A distinction has been drawn between the producer who holds his product for higher prices and the person who is simply dealing in future contracts; but let me start with this type of situation. We have had this come up more than once. That is the question of seasonal changes in prices.

Now, we have in the field of agriculture, many products which are irregularly produced throughout the year, because of the nature of climatic conditions and the type of material we are working on. At certain times of the year there is a heavy flow and at othertimes there is a reduced flow on the market.

What happens in many cases is that at the time when the flow is largest, prices tend to vary on the market, consumer demand being fairly constant. People will buy quantities on the market at that



time and hold it for the expectation that later on, in the normal course of events, production is reduced and prices of the market will rise. They will be able to put the stock on the market later, and at least cover the cost of storage.

This is a normal practise in seasonally produced commodities. Now, my first question is: When the stocks are coming out of storage, somebody having performed this function of carrying overstocks, when the stocks come out of storage and come out to the market, what effect would there be on the prices on the market at that time?

Will it not be lower than it would otherwise have been because at that time in addition to the flow off the farms you have also the flow coming out of the storage capacity. Your total supply on the market at that time is increased by these and the prices at that time should be lower than they would be had there been no storage taken place. Is that sensible?

MR. DONALD MacDONALD: Well, sir, potatoes are always stored and marketing the Island potato production is almost a 12-month job now.

It is not unusual to have the last of the old potatoes and the first of the new crop in the province at the same time. The flow from storage here, either warehouse or farm storage is fairly regular, coming in volume in October.



The potato stock yield in production and the seed yield is very heavy in November and December, and the first part of January.

The movement of potatoes from this province to the upper Canadian market is pretty regular from January to the end of the season.

THE CHAIRMAN: I notice in Table 2, that the price charged was \$1.02 throughout January, and for two weeks of February. Then it began to rise.

In the month of January, there was no week in which there were more than 81 carloads sold. In the first week of February it was down to eight. In the second week it was 47, and in the third week 29.

As soon as the price began to rise to \$1.42-- \$1.97, we jumped to 133 cars, 121, 143. In other words, some people who were holding potatoes, unloaded at that time as the price was advancing. Is that right?

MR. DONALD MacDONALD: Well, these unloads just deal with one particular market, Toronto, and I don't think --

THE CHAIRMAN: But the prices are prices in Toronto.

MR. DONALD MacDONALD: Yes.

THE CHAIRMAN: The prices that can be obtained.

MR. DONALD MacDONALD: Yes. I still say, sir, movements from the province -- a great change in



the unloading at Toronto is no indication that a similar change took place in the volume leaving this province from week to week, because while in some weeks fewer may have gone to Toronto more went to other markets.

THE CHAIRMAN: Is this so?

MR. DONALD MacDONALD: That is correct.

THE CHAIRMAN: You say that each year there is a pretty steady flow month by month.

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: Regardless of the movement of the market prices?

MR. DONALD MacDONALD: That is right. Usually from January to the May period representing from 1,000 to 1,500 cars per month.

THE CHAIRMAN: This was true under the Marketing Board.

MR. DONALD MacDONALD: Yes, always been true.

THE CHAIRMAN: It has been true whether there is a marketing board or not.

MR. DONALD MacDONALD: That is right.

THE CHAIRMAN: So the marketing board did nothing to stabilize the flow of potatoes. That is what you have said, is it not?

MR. DONALD MacDONALD: Well, the transportation factor enter in there too, and in order to make a certain volume in a certain period of



time, we must put out so many each week, and each month, whether there is a marketing board or whether there is not. That always must be done. We have no alternative except to move a certain volume each week and each month.

THE CHAIRMAN: Now, these potatoes come from individual farms.

MR. DONALD MacDONALD: Yes.

THE CHAIRMAN: I am a potato grower. Is it the practise of the potato growers in this country to sell one-twelfth of their potato crop each month?

MR. DONALD MacDONALD: No.

THE CHAIRMAN: What is it that results in this steady flow when you have independent producers selling them regardless of the others?

MR. DONALD MacDONALD: In as much as the New York Mercantile Exchange can influence even growers because after all when they see in February that the May futures are \$6 -- \$5 or \$6 a bag in New York, they figure it looks pretty good -- puts them in a speculative frame of mind too.

Now Table No. 3, we started at January 15, 349; we saw it go up to 610, then stopped at April 16th, then it was at 4 or 5, yesterday the Exchange value was 285.

THE CHAIRMAN: Let me go back --

MR. DONALD MacDONALD: The price levels which I contend cannot have any proper relationship



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to either available supplies or consumers needs.

THE CHAIRMAN: Let me go back to the point I was really trying to work at initially with regard to the notion of speculation. In the case of a seasonal production commodity, it seems to me that when you people come into the market and buy in excess of the current consumption at that time for the purpose of putting the stock in storage, that one of the effects of buying for storage at that time is to make the price higher at that time than it would otherwise be..

If you did not have the opportunity of storing and somebody who was buying for storage, the price at that time would be lower than it would be otherwise?

MR. DONALD MacDONALD: That is correct. Now I will give you a couple of concrete examples. In the last two months prices in Toronto and Montreal have jumped from 60 to 70 cents a bag in 24 or 48 hours. Now the cause of that was that dealers did buy on speculation in both Montreal and Toronto would --

THE CHAIRMAN: Push up the price.

MR. DONALD MacDONALD: -- would start buying up all available cars of P.E.I. and gradually force the price up. They roll those cars to Montreal or Toronto; could create a bull market for even a week, it was better than at the coast as



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those cars moved from the Island to Montreal or Toronto they were selling them, and even if they had to -- as they sold them the price would probably drop back, but still they would make that extra margin of profit.

THE CHAIRMAN: But the effect of buying for storage, this is done in anticipation of a price, lower and higher price; rather than raise the price in the market at that time, at the time the stocks come on the market, they depress the price. Now the effect then is to stabilize the price, to reduce the price fluctuation. Right?

MR. DONALD MacDONALD: Would you repeat that sir, the last statement?

THE CHAIRMAN: If at the time people anticipating a higher price come into the market and buy in excess of the current demand, and put the supplies in storage and hold it until the price rises, if the price goes up at that time, as a result of this, then when the price is higher, the stocks come on the market, and they depress the price, then the effect of this buying here and selling here, is to level out prices.

MR. DONALD MacDONALD: But in a very unstable way.

THE CHAIRMAN: Well it helps. It works in the direction. The only point I am getting here is there is a function which is performed by that



kind of speculation. Now it may not be the best way of dealing with the situation, and I am not arguing with you, but I do suggest that there is a form of speculative buying when prices are low for the purpose of trying to sell when prices are high it tends in the direction of stabilizing the price, and that is a social function. Now I will leave that point. I did want to try and bring it up if I could for my own satisfaction precisely what the relation of the New York Mercantile Exchange has to your price, and how it has effected it, and please do not think I am trying to defend commodity exchanges. I come from the Prairie provinces, and you know what Prairie farmers think of commodity exchanges. I am just trying to get the relationship here. The first point is that the Mercantile Exchange is not an organization who buys and sells, that is correct?

MR. DONALD MacDONALD: That is correct.

THE CHAIRMAN: It is people who are members of this who buy and sell so that the body itself is not involved. Now, P.E.I. potatoes can be sold in the United States?

MR. DONALD MacDONALD: To a very substantial extent.

THE CHAIRMAN: There is I take it, a tariff?

MR. DONALD MacDONALD: Yes, 37-1/2 cents up



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to 1,900,000 bushels of seed, and 600,000 bushels of potato stock; be about 75 cents.

THE CHAIRMAN: You have an alternative market in Toronto, and some of your produce goes there, so you can sell either in New York, in the United States or in Toronto, and if the price in the United States is better for any reason at that time than it is in Toronto, it is good business for you to sell in the States?

MR. DONALD MacDONALD: Yes, providing transportation is not too high.

THE CHAIRMAN: That is right.

MR. DONALD MacDONALD: And the duty is not too high. As you know, 75 cents per hundred pounds is almost a prohibitive duty.

THE CHAIRMAN: Similarly, the merchant in Toronto who buys P.E.I. potatoes can either sell them to the consumer or trade in Toronto, or if something happens to the price in New York, again subject to tariff, transportation, and so on, taking these things into account, if he can sell better in New York he will do it that way, and if he is a consumer trader, that is what will happen if he has bought stock from here with the intention perhaps of selling them to the Canadian trade, when the market in the United States goes up, he will turn around and sell some of his potatoes to the States, isn't that so?



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MR. DONALD MacDONALD: Providing there is sufficient differential.

THE CHAIRMAN: Sufficient differential.

MR. DONALD MacDONALD: For trade freight factors and duty factors.

THE CHAIRMAN: But would you say it is necessary? What I am bringing out here is would you say it is a necessary relationship between the price New York, the price Toronto, and the price P.E.I., and if anyone of them gets far out of line, then the direction of the movement of potatoes will tend to shift, is it not true, with the merchant operating in Toronto. That this is part of his job.

If the price goes up in New York, he is likely to raise his prices because he can now sell at a better price in New York, and in time that will work itself away back to P.E.I. in his demand for potatoes, and so that there is a relationship between these prices, and while it is by no means perfect, I am sure there is a necessary relationship established between them, so that they cannot go too far out of line. If the prices in Toronto went up, potatoes from the States would move into Toronto.

MR. DONALD MacDONALD: And have often done so. This year they certainly won't due to the fact that the price levels in Canada have been a cent a pound lower than the price they have in



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the United States generally speaking.

THE CHAIRMAN: I am just trying to suggest that the emergency of these features are buying and selling in different markets does in fact perform a function. It is a speculative function, because time is involved, and he has to buy at one time and sell at another, but he may perform a function.

MR. DONALD MacDONALD: It seems to me Dr. Stewart, that I cannot fully understand under the present season, with a relatively low supply position in potatoes in Canada and the United States was comparable in relation to the consumer needs in each country. Now why has the Canadian market been so much lower than the American market, and we have been exporting a substantial amount to the United States at the present time and paying the 75 cents.

THE CHAIRMAN: It could be market manipulation.

MR. DONALD MacDONALD: I think that is the answer sir.

THE CHAIRMAN: Yes, you have given that answer really, and I am sorry to have taken so long on this.

MR. LABELLE: One point on fluctuation. Sometimes we will hit rock on the Island, and sometimes we will hit a cold spell when potatoes cannot



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be moved at all, then there is the case of being able to get across. There are a limited number of cars available, and means of moving them off the Island, and those factors could have an influence on the price.

THE CHAIRMAN: I know it is a very complicated problem, and I have over-simplified it on what goes on I am sure. I would like to thank you very much for you brief, and we got it, as you know, on arrival here last night. We are glad we got it. We need a little more time to study it ourselves. Thank you very much.

MR. O'CONNOR: Thank you Mr. Chairman and members of your Commission.

THE CHAIRMAN: We will now adjourn until 2 o'clock in Halifax, May 2nd, 1958.

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